

ACHIEVING SUSTAINABLE GROWTH

A composite image featuring a man with a long, white beard and a woman in a field. The man is on the left, wearing a grey sweater and holding a glass of whisky, looking thoughtfully to the side. The woman is on the right, wearing a blue dress, standing in a field with green grass and yellow flowers, looking towards the camera.

BY EMPOWERING
FUTURES

HARGREAVES
LANSDOWN

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Our purpose

We empower people to save and invest with confidence. To achieve this, we place the client at the heart of what we do, becoming their trusted partner and financial champion. We listen and respond to the needs of our clients and other stakeholders to evolve, grow and prosper collectively.

Who we are

We are the UK's largest digital wealth management service. For 40 years, we have helped clients save time, tax and money on their investments. Today we are trusted with more than £135 billion by 1,645,000 clients. We are a secure, FTSE 100 company, headquartered in Bristol employing over 1,800 people.

ACHIEVING SUSTAINABLE GROWTH

At Hargreaves Lansdown client experience is our obsession. We want to build long-term, engaging client relationships, helping people to build their financial resilience and secure better financial futures. Our culture, values and governance ensure we keep our clients at the heart of all we do and that we deliver this in a sustainable and responsible way.

Our investment in people, technology and marketing underpin our strategy to ensure we evolve and grow in a controlled manner to thrive at scale in a dynamic and growing market. As we grow, we aim to share our success through shareholder returns and empower the futures of clients, colleagues, our community and society as a whole.



[FIND OUT MORE](#)

Pg 1: Achieving sustainable growth

Pg 5: Our response to the pandemic

Pg 8: The Investment proposition

ACHIEVING SUSTAINABLE GROWTH

EMPOWERING FUTURES



As a nation we need to build a stronger culture of saving which will bring long-term financial resilience for individuals and our society.

At Hargreaves Lansdown, we seek to break down barriers or misconceptions that might prevent people saving and investing their money with confidence. We help clients make more of their investments by giving them the tools and information to make their own informed decisions. We aim to simplify their financial life by making it easy and straightforward to manage their savings, investments and pensions.

Putting clients first

Positive client outcomes are the reason we are in business. Ensuring that our clients are happy with our products and services, trusting us to keep their interests at heart, and listening to their concerns is paramount to empowering people financially. To achieve this, we actively seek out focus groups and use this insight to shape our services, products and features.

We recognise that sometimes we make mistakes. If clients ever feel the need to complain, our client services team carefully investigates our client's complaint and endeavours to provide them with a fair outcome and timely resolution. We learn from these experiences.

Going the extra mile

At Hargreaves Lansdown client experience is our obsession.

We understand that clients have differing financial needs and goals. Ensuring that we can service these different needs and exceed expectations wherever we can is important to us. Our broad offering means we can assist clients throughout their financial lifetime. Listening, finding solutions and treating our clients as individuals ensures we provide them with an exceptional personal experience.

We believe that when clients are faced with an exceptional experience, they will have the trust and confidence to engage with their finances. As an example, we kept our Helpdesk open across the Easter Bank Holiday which coincided with the ever busy tax year end.→

ACHIEVING SUSTAINABLE GROWTH

EMPOWERING FUTURES CONTINUED

Ensuring clients feel their savings and investments are secure with HL is paramount. We have increased the number of client communications with regards to educating and informing clients on fraud and scam awareness.

Doing the right thing

We always endeavour to do the right thing for our clients and other stakeholders. We actively engage with policymakers to ensure the position of retail investors in the UK is understood, and policies are designed to help investors.

Examples include:

- Building the case to reform the advice/guidance boundary so that we can tailor our communications to clients' preferred outcomes;
- Participating in the HM Treasury, Bank of England and FCA Productive Finance working group, positioning how retail investors could benefit from the potential returns of long term asset funds, whilst managing the risks;
- Campaigning to increase retail access to IPOs;
- Engaging with the DWP to give employees more control over their workplace pensions and improved access to pensions for the self-employed; and
- Participating in the work of the City of London Corporation's socio-economic taskforce; and worked with industry trade bodies to champion client interests.

We pride ourselves on our integrity in all our dealings and decisions as a business with the aim of being clear, fair and transparent.

We want to do the right thing by our clients and we are committed to providing an exceptional service to all of our clients and offering the support they need. Our clients cover a diverse range of backgrounds and we want to ensure that all clients are treated fairly, regardless of their circumstances.

We deliver our service in a way that is accessible to all clients. To better support our vulnerable clients we have worked with the Alzheimer's Society and have over 1,800 trained Dementia Friends at HL. Additionally, we have developed our communication to help make it more inclusive and to support initiatives to get more women investing including our "Financially Fearless" campaign, which is dedicated to supporting women through their financial journeys.→



OUR SUCCESS IS FOUNDED ON 5 KEY PRINCIPLES

1 We put the client first

From the day-to-day exceptional client experience, to the constant improvement of our services, we use client feedback to shape future development. It's their future in our hands.

2 We go the extra mile

For our clients and for each other. We focus on what we need to do, then do it well, taking every opportunity to delight, inspire and reassure.

3 We do the right thing

We're fair, honest and upfront and do the best for our clients. We focus on the long-term. It's why they trust us, and how we earn their loyalty.

4 We make it easy

Savings and investments should be easy to access, understand and do. We make things simple which gives our clients confidence to make important decisions at the right time.

5 We do it better

Energetically innovating and improving. When things aren't working well, we strive to fix them.

ACHIEVING SUSTAINABLE GROWTH

EMPOWERING FUTURES CONTINUED

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We aim to educate and empower people to make the right choices for them through the tools, guides and research we provide.

We recognise that the views and experience of our colleagues are important and through our Whistleblowing Policy we encourage our people to raise any concerns about malpractice or wrongdoing within the workplace. All concerns are treated with the utmost confidence and in full compliance with the Public Interest Disclosure Act 1998.

All colleagues undergo annual training which includes anti-money laundering, protecting client money, spotting market abuse, data protection, information security and fraud prevention.

Making it easy

To empower more people to engage with their finances and make good long-term decisions, we aim to make dealing with us as easy and efficient as possible. We look to educate and empower people to make the right choices for themselves through the tools, guides and research we provide.

Our clients range from first time investors to the highly experienced, with different levels of confidence, time and willingness to engage with their finances. The ongoing challenge is to create an experience that will suit these individual needs and maintain a broad appeal to anyone who wants to engage in saving and investing.

Our client experience team is dedicated to making things easier for people. We monitor feedback, frequent problems and pinch-points on client journeys and use these insights to streamline client interactions.



GROWTH IN AUA (£ BILLION)

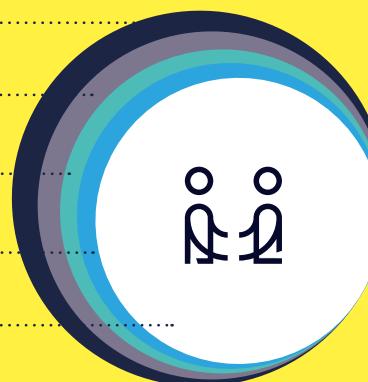
Assets held on our platform continue to grow as new and existing clients save and invest with us.



GROWTH IN ACTIVE* CLIENTS ('000)

Record numbers are choosing HL as their wealth management provider.

2021	1,645
2020	1,412
2019	1,224
2018	1,091
2017	954



*active clients are those with £100 or more in an account.

Doing it better

We challenge ourselves to deliver a better, more innovative service for our clients. We look at demographic, behavioural, competitor and technological trends to focus our resource and investment to improve the proposition and service for clients not just in the short-term but for the long-term as well.

Examples:

- Greater use of data analytics to deliver more tailored content to engage with clients
- Increased focus on making clients better investors
- Enabled clients to instantly add cash into their Fund & Share and SIPP accounts through Faster Payments
- Launch of a Cash ISA within Active Savings

ACHIEVING SUSTAINABLE GROWTH

BUILDING RESILIENCE DURING THE PANDEMIC

We have been helping stakeholders to evolve, grow and build resilience.

Our colleagues

Our first priority has been to ensure the health, safety and wellbeing of our colleagues who provide essential services to over 1.6 million clients. We have facilitated an appropriate balance of working from home and in the office, ensuring that colleagues' views and government guidelines are always taken on board. We have run various initiatives to support our colleagues in looking after their families' physical, mental, financial and social wellbeing.

Communication has been essential ranging from virtual "town hall" sessions from the CEO and leadership team, live streaming of external experts on a range of health and wellbeing topics and increased use of technology to improve interaction across teams and departments.

We have not furloughed any colleagues or sought any government assistance. We have recruited additional colleagues to support the record volumes of business we have seen and ease the burden on teams who were feeling the strain. Training and development has been maintained ensuring our colleagues can build their future careers and play the crucial role in delivering an excellent service for our clients. →



ACHIEVING SUSTAINABLE GROWTH BUILDING RESILIENCE DURING THE PANDEMIC CONTINUED

Our clients

Although we've adapted to a new way of working, some things have not changed. The security of our service and protecting our clients' assets and data is our top priority. Our people, technology and control framework ensure we achieve this in spite of the new configuration of working.

Uncertainty, volatile markets, misinformation and scams are all unsettling for clients and impact their confidence and decision making. We have focused on delivering the services that are most important to our clients and helping them to understand the issues they face in order to build their financial resilience and achieve their desired outcomes. Actions have included:

- Increased research updates and guidance across funds, shares, personal finance and ESG matters to support investors;
- 'Hot' stocks – A focus on the difference between speculators and investors, and the merits of long-term investing. It was targeted at clients we suspected had aimed to speculate on short-term share price movements;
- Diversification - explaining the magnitude of its benefits through practical and actionable steps to an investment portfolio. Targeted at clients with concentrated portfolios; and
- Risk awareness campaign focused on the benefits and risks of volatility, and why a long-term horizon is essential when investing in markets. Targeted at clients with higher volatility investments.

Our community

Parts of our community have been hit hard through a lack of financial support, available resources, help and expertise, all of which have created undue stress and hardship. As a responsible business and one which has been fortunate enough to thrive in these uncertain times, we have been mindful of the part we need to play in our community and wider society, not just today but for the future.

Our support has spanned high level strategic involvement with key stakeholders in our home city of Bristol, through to targeted initiatives that allow colleagues to volunteer on specific causes. The support is aimed to help drive the economic recovery of communities and businesses and improve the lives of the people who live and work in the city.

Delivering financial education and inclusion is another area where we have been supporting various initiatives, particularly for the younger demographic where we strongly believe it is important to build good financial habits early.

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We are mindful of the part we need to play in our community and wider society.





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Long-term saving and investing is the best way to set yourself up for the future. We believe this should be an opportunity for everyone, no matter what your background or wealth.

David James

Director of Marketing, Brand & Communications

Invest today, thank yourself later

We continued our brand advertising campaign "Switch your Money ON". We highlighted HL as the brand for long-term investors, helping clients to build resilient portfolios and better future outcomes. It was a multimedia campaign including TV and digital media across tax year end, asking the UK to "Invest today, thank yourself later".

The campaign aimed to build on our market leading brand preference and further broaden our appeal.



[FIND OUT MORE](#)

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INVESTMENT PROPOSITION

CLIENT EXPERIENCE IS OUR OBSESSION...

We put our clients first and at the heart of everything we do, helping them create better financial futures for themselves and their families by empowering them to save and invest with confidence.



INVESTMENT PROPOSITION

...SUSTAINABLE GROWTH IS THE RESULT

Our client focused strategy and culture enables us to build long-term relationships and address the structural growth opportunities that exist. Continued investment and innovation ensure we enhance our proposition, service and client engagement, which drives long-term sustainable growth.

1

Excellent market opportunities

We have a significant addressable market undergoing structural growth and change driven by people living longer, individual responsibility, ongoing low asset yields, a complex savings environment, auto-enrolment and market volatility. We deliver a proposition and service to help clients through these trends and get to the right outcomes.

2

A strategy that delivers success

A real client focus supported by our values enabling us to deliver:

- a compelling proposition with an increasing range of services and solutions to meet the needs of clients;
- an excellent client service across all touchpoints making clients' lives easier; and
- increasingly tailored content, which all serve to deepen the client relationship.

3

Investment in future growth

Outstanding client experience is delivered through our continued investment in people, technology and marketing, ensuring that we are always improving and evolving the service and maintaining our competitive advantage.

4

Attractive returns

Our strategy and investment drives our growth in clients and assets. High levels of client and asset retention combined with significant ongoing revenues gives high quality earnings which quickly turn to cash. This enables us to pay significant dividends whilst reinvesting to drive further sustainable growth.

2021 highlights

£8.7bn

2020: £7.7bn

Net new business in the year

£135.5bn

2020: £104.0bn

Total assets under administration

233,000

2020: 188,000

Net new active clients in the year

£366.0m

2020: £339.5m*

Underlying profit before tax**

* Excludes the one-off gain of £38.8m from the sale of FundsLibrary

** Definition is shown in the Glossary of alternative financial performance measures on page 182.

CHAIR'S STATEMENT

PURPOSE AND CULTURE DELIVERING RECORD RESULTS

We have remained focused on the wellbeing of our colleagues ensuring they can maintain our high levels of client service and deliver on our strategy.

Overview

The unprecedented challenges of COVID-19 have again made this an extremely challenging year for clients, communities and society as a whole. I am immensely proud of how our colleagues have stepped up and truly demonstrated our culture and values, helping to deliver for all our stakeholders across the year whilst also maintaining focus on developing resilient and sustainable growth. Like last year, we have not taken any government assistance, we have not furloughed any employees and we have delivered on our dividend policy, which are all testament to the strength and resilience of our business.

Building on the foundations laid last year for working in a COVID-19 environment, we have remained focused on the wellbeing of our colleagues ensuring they can maintain our high levels of client service and deliver on our strategy of attracting, engaging and retaining clients. This has paid off; net new business and net new clients were both at record levels for the year helping to deliver record underlying profits for our shareholders. Our industry leading data analytics

and the insight we get from over 1.6 million clients also gives us an edge, not just in winning new clients but engaging with them and building their confidence and resilience. Our tailored insight such as "Financially Fearless", our programme dedicated to supporting women through their financial journeys and removing barriers around finances, is a great example of this.

Despite our resilient financial performance, we know there is room for improvement. At times our client servicing has been under significant pressure from record business volumes and hence there is a need to continue investing into our client service along with our proposition. Continued investment in technology will be key to maintaining our competitive advantage and remaining as the UK's leading digital wealth manager.

Sustainable and responsible growth

Delivering truly sustainable growth can only be done through responsible means. The growth in ESG across all walks of life has significantly accelerated throughout the COVID-19 pandemic. ESG considerations now need to be embedded in

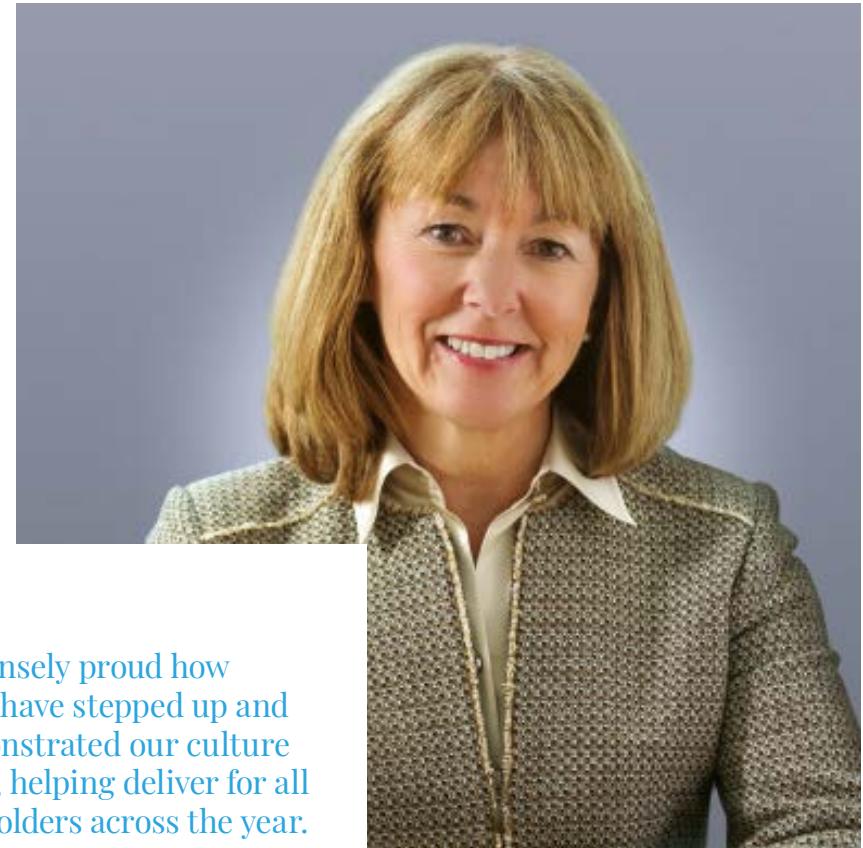
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I am immensely proud how colleagues have stepped up and truly demonstrated our culture and values, helping deliver for all our stakeholders across the year.

all that we do such that we can help empower not only clients, but also our local community and society as a whole through aspects such as diversity and inclusion, business ethics and commitments to reducing the impacts of global warming.

At Hargreaves Lansdown we view ESG through three lenses:

- HL as a responsible business
- HL as an investment and savings provider
- HL as a fund manager



We have been devoting more time and resource into sustainability across our business as part of our strategy. This will ensure we can deliver for a diverse range of stakeholders bringing significant enhancements and resilience to individuals and society as we grow. During the year I have been particularly pleased that we have achieved the Living Wage Accreditation, the progress we have made on inclusion and diversity across the business and the support we have given to our home city of Bristol. In addition we have also looked carefully at our own climate impact and have produced our first TCFD report. You can read more about these and how we operate as a responsible business on pages 38 to 48. ➔

CHAIR'S STATEMENT

PURPOSE AND CULTURE DELIVERING RECORD RESULTS CONTINUED

Board governance and changes

The Board is committed to delivering high standards of corporate governance and embedding the right culture and behaviour throughout the business and ensuring that all stakeholders' interests are considered. It is also essential to ensure we have the right balance of skills, diversity and experience to challenge and guide the business through its next stage of growth. These factors have been key as we have evolved and strengthened the skill set of the Board across the year.

In August 2020, after a term of nine years serving on the Board and in line with corporate governance recommendations, Stephen Robertson confirmed that he would be retiring from the Board. At the same time, Fiona Clutterbuck informed the Board that, due to other professional commitments she would not be standing for re-election at the Company's AGM. Later that month I was delighted to announce the appointments to the Board of Andrea Blance and Moni Mannings with effect from 1 September 2020. Both bring exceptional experience at Executive and Non-Executive Director level and strengthen the skills and diversity of the Board.

In October 2020, we were pleased to announce that, following discussions between Peter Hargreaves and the Board regarding how best to reflect Peter's continuing interest in the Company whilst respecting the strong independent governance principles of the Board, Hargreaves Lansdown agreed with Peter to enter into a new shareholder agreement to govern the ongoing relationship. →

FINANCIALLY FEARLESS

Designed for women by women. We want equality when it comes to money. But we also know to get there, we need to level the playing field.

Find out more at:
[hl.co.uk/financial-advice/
financially-fearless](https://hl.co.uk/financial-advice/financially-fearless)

Financially Fearless is dedicated to supporting women through their financial journeys, removing the barriers around finances and helping women become more confident with their money.

Figuring out your finances can be daunting, especially if you're put off by industry jargon and the lack of clarity when it comes to money management and financial advice. Whether you're starting out or a seasoned pro we are committed to creating content for women that empowers and builds confidence.



CHAIR'S STATEMENT

PURPOSE AND CULTURE DELIVERING RECORD RESULTS CONTINUED

Pursuant to the agreement, Peter was entitled to nominate one non-independent, Non-Executive Director for appointment to the Board, subject to the applicable regulatory and governance framework that is observed by the Company. As a result, the Board announced the appointment of Adrian Collins as the Board representative of Peter. Adrian has extensive experience across fund management and adjacent sectors in both executive and Non-Executive roles.

His presence on the Board provides an avenue to harness Peter's wealth of experience, while allowing us to benefit from Adrian's considerable expertise in the fund management industry.

In December 2020 after a term of seven years serving on the Board, Shirley Garrood, Senior Independent Director (SID), confirmed that she would be stepping down at the end of 2020. As a result, Roger Perkin took up the post of interim Senior Independent Director on 1 January 2021, whilst we commenced a search for a new non-executive director. In June 2021 we were delighted to announce the appointment of Penny James as our new SID with effect from 1 September 2021. Penny brings exceptional skills with wide ranging financial services experience, particularly in leading digital innovation and transformation and supports the continued strengthening and diversity of the Board. More details on all these Board appointments can be found in the Nomination Committee report.

Finally in July 2021 we announced that Philip Johnson, Chief Financial Officer, had informed the Board of his intention to step down from his

position for personal reasons. As a result, the Board has commenced a search process to identify and appoint a successor. Philip will work with Chris Hill, Chief Executive Officer, and the Board to ensure an orderly transition.

I would like to extend my gratitude to all those who have left in the year for their enormous contributions, commitment and dedication across a significant period of growth and development for the business.

Dividend

Hargreaves Lansdown is a financially strong business as shown by our robust balance sheet, surplus capital and highly cash generative business model. In line with our stated dividend policy, the Board recommends, subject to shareholder approval at the AGM, payment of a final dividend of 26.6p per share. In addition, the Board has today declared a special dividend of 12.0p per share.

An interim ordinary dividend of 11.9p per share was paid on 8 March 2021. Taking this into account, the total ordinary dividend for the year will be 38.5p per share (2020: 37.5p), an increase of 3% on last year. Adding the special dividend gives a total dividend of 50.5p per share (2020: 54.9p), which included a special dividend of 8.2p relating to the gain on disposal of FundsLibrary), a decrease for 2021 of 8%.

Subject to shareholder approval of the final dividend at the AGM to be held on Friday 15 October 2021, the final and special dividends will be paid on 20 October 2021 to all shareholders on

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I am excited by the future and how we are set to deliver sustainable growth and play our part in society to empower futures.

the register at the close of business on 24 September 2021.

Looking forward

The long-term social and economic consequences of COVID-19 are difficult to predict but the foundation we have built, along with our relentless client focus and ongoing investment puts us in a great place to capitalise on what we see as a growing addressable market and the trends within.

The pandemic has significantly accelerated the trend of people engaging, through digital means, to take more responsibility for their own financial resilience and their financial futures. From people starting to invest, managing family wealth, to those approaching and in retirement, as the UK's leading digital wealth management service, we provide a trusted, high quality service to take our clients on a journey and achieve their goals. Despite the uncertainty I am excited by the future and how we are well set to deliver sustainable growth and play our part in society to empower futures.

On behalf of the Board, I thank all our colleagues for their dedication and commitment in putting us in a strong position to continue our sustainable and responsible growth.

Deanna Oppenheimer
Chair

8 August 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

EXCEPTIONAL GROWTH IN UNIQUE MARKET CONDITIONS

2021 has been a year of exceptional growth despite the unique external conditions.

Any one of us who looks back on the challenges of the last year – from both a business and a personal perspective – would appreciate that it might count as a success to simply have ended the year with our own health, the health of our employees, the health of our clients and the health of our business intact. For a business like ours, alongside the impact of COVID-19, we have also faced further volatility from political uncertainty – from Brexit to the US elections.

But while it has been a challenging year on so many fronts, these pressures have also caused enormous change. Demand for online services of all kinds has soared. There has been a permanent shift in consumer behaviour in areas from groceries to health services, from online investing to wealth management. We have also seen a rapid acceleration in the importance of ESG for consumers, investors and policy makers. It has not been a year when you could stand still. And at HL we haven't.

Instead, 2021 has been a year of exceptional growth. We have continued to deliver our client-focused growth strategy – welcoming a record 233,000 net new clients in the year. We have achieved this by ensuring we can provide our service to clients through any channel: via

mobile, the website, or by phone. Our focus on service has meant we have seen £8.7 billion of net new business flows, the first time we have ever generated over £8 billion in a single financial year. Confidence in both the quality of our service and our offering has driven these flows and, when combined with market growth, has also led us to reach new AUA highs of £135.5 billion, a 30% increase on the prior year.

If the biggest trend has been the change in demand for online service, the second biggest trend has been in the demographic mix. This demographic change has been underway for some time across the industry but has become more noticeable through the pandemic. In FY21, 83% of our new clients were under 55. We are seeing younger clients show an interest in – and willingness to learn about – investing, prioritising financial resilience and saving. They are starting to benefit from the transition of wealth from older generations. The fact that we have attracted so much of this generation to our service gives me confidence that our investment in our proposition and user experience is paying off. This younger mix of clients underpins our future growth because their investment behaviours mirror the trends of previous cohorts: we know what they need from our 40-year track

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Our strategy is focused on building and developing lifelong relationships with our clients.



record of supporting clients through their financial lives. As we work with these new clients on similar paths, the lifetime value of our overall client base will increase.

Thirdly, we benefited from the market volatility that has been the inevitable outcome of the challenging year. Investor confidence started the year at a low but swung dramatically on the positive news of COVID-19 vaccines and the political certainty provided by the US election and Brexit. The subsequent upwards trend in confidence, alongside a greater interest in markets and trading during lockdown, led to record equity trading volumes – up 54% on the previous year. This was one of the drivers of

strong underlying profit before tax growth, up 8% to £366.0 million. To put those profits in context, they are now bigger than our net revenues were five years ago.

Whilst some of this volume of trading has clearly been exceptional – and we do not expect it to remain at such high levels – there are two key lessons for us from the year. First, we believe there has been a permanent shift in behaviour, and the key structural drivers for the wealth management industry will continue to underpin our long-term growth. Second, we have been able to capitalise on this extraordinary year – and enlarge our client base substantially – due to our previous investment decisions and confidence in

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED

the opportunity ahead.

Hargreaves Lansdown has become the market-leading digital wealth management service for a reason. We have captured a 42.9%¹ share of the direct to consumer market due to our highly differentiated service. We have continuously advanced our service as client needs have changed and always ensure they can access our service in the best format for them; and will continue to do so in the future as the wealth market continues to broaden and digitise. We think deeply about our clients' lifelong needs, not just their short-term interests. And we have been disciplined in our investment to ensure we deliver sustainable growth for our investors.

I would like to thank my colleagues for their hard work and energy over the last year that has ensured we have been able to provide a market-leading service for even more clients, especially given the personal pressures from the COVID-19 pandemic on their home lives. I also want to thank our clients for their engagement and enthusiasm as we expand the ways we support them through their financial lives. Our goal now is to continue to enhance the UK's financial resilience, building on the work of the last 40 years – with the leading digital wealth management service.

Changing demographics

The COVID-19 pandemic has reinforced the importance of effective savings and the need for individuals to be financially resilient. This is not a new trend and the structural growth drivers are clear and consistent: enduring low interest rates over the last decade; greater individual responsibility for retirement saving; the generational transfer of wealth; and an increasingly complex savings environment. Each of these are significant societal changes underlining the growing importance of the wealth management industry.

Furthermore, COVID-19 has accelerated these trends and has driven more people of all ages to engage with their finances. Younger people now have a greater appetite for investment. In 2007, the median age of our client base was 58, by 2014 this was 54, and in 2021 this is now 46. During FY21, nearly half the clients joining our platform were in the 30-54 age bracket – one of the key demographic groups who build wealth over time. Getting clients onto the platform earlier means that we can support them for longer as they grow their wealth.

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Our goal now is to continue to enhance the UK's financial resilience, building on the work of the last 40 years.

Driving client engagement

Clearly, it is not enough to simply add new clients in record numbers. We have always served an engaged audience with 'best insight' and built a trusted relationship with our clients. We have continued to invest in both our proposition and our service to ensure we adapt to meet the varying needs of our expanding client base – and add value to them. That has been helped by our unique access to client data and behaviours built up over 40 years.

You can see the results in the levels of engagement we have seen in. We had 393 million digital visits in FY21 compared to 249 million in FY20. What is also welcome is how our clients are engaging with us: 98% of trades are digital; desktop log ins were up by 28% and mobile log ins up 110% over the last year. Overall, these levels of engagement led to a record 26.9 million transactions.

These high levels of engagement were not by accident. We invested in our helpdesk support. We made some clear choices to prioritise our approach to guidance, our educational tools and making our platform easy to use. Over the year, we had over 3.64 million visitors to HL articles (3.64m prior year), saw 398,000 guide downloads (280,000 prior year), uploaded 1,192 new articles to our website and our Helpdesk received 1.7 million calls (1.3m prior year).

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED

In these interactions our goal has been to drive better client outcomes and responsible investment behaviours. Across FY21, this has been a particular focus with the rollout of our 'Better Investors' campaign which targets new joiners with education and behavioural nudges to help educate clients to make better decisions – and has driven high levels of engagement. This work has focused on providing relevant information that helps clients to target their investment choices around their goals, raise awareness of how changing conditions suit different investments and how they can build long-term savings. Alongside this we have also continued to engage with regulators, working on how we can continue to serve our clients better, deliver the right outcomes and set an example as the market leading service in our industry.

Our close relationship with what our clients want to know – and how they are using our platform – also helps us identify key trends in investor interest, with a step change in retail investor interest in ESG being the most notable. We have continued to respond to that interest by making more online resources available, integrating ESG considerations into our Fund research process and adding further responsible funds to our Wealth Shortlist. Other examples of this dynamic approach to content include our "financially fearless" campaign for women, materials on market volatility due to COVID-19 and the trading phenomenon around GameStop and so-called meme stocks.

Given these high levels of engagement, it is essential for digital wealth management services to continue to be both secure and stable. In November, very high levels of volume associated with market volatility led to a brief outage of our system. We learned from that experience and have implemented a number of changes to capabilities, processes and systems to mitigate risk and ensure we maintain robust client service as we scale.

Prioritising client experience

Our position as the market leader, with our levels of engagement and quality of client insight, gives us an advantage in the design and delivery of improvements to our proposition and service ahead of the competition.

We have continued to improve our proposition in 2021 with the launch and enhancement of our Wealth Shortlist which now offers new tools and greater insight to help clients make their investment decisions. The addition of fund charge comparisons has also led to better pricing across the platform and we have increased the number of segregated mandates in the HL Multi Manager range such that 41% is now managed this way, giving us greater control and passing on better pricing to clients.

We expanded our Active Savings service with the addition of two new banks and extended our product range to introduce limited access accounts, providing even more choice for clients. The service has now reached £3.1 billion AUA and plays a vital role in the savings market where the rates clients can achieve are so important, with at least one market leading rate available through the platform for 90% of this financial year. We launched our Cash ISA which will be rolled out more widely in the new financial year. This offer also helps us reach different groups of future investors to help them engage with their finances.

Client Experience is not just about the proposition; it is also about building our differentiated service. Over the year, we prioritised service, enhancing practical capabilities in areas such as payments where we formed key partnerships with FinTechs, such as Stripe, to accelerate the roll out of better digital payments solutions. We also launched 24/7 faster payment bank transfers in our SIPP and Fund & Share Accounts.

“

During the year we had 393 million digital visits through our website and app, up 58% on the prior year's 249 million.

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED

“

We have launched the “5 to Thrive” campaign, the five key building blocks needed for financial resilience.

We have made our service easier to use in a number of ways, by actively analysing our client data to understand what they want from us. As a result, we improved the functionality of our mobile app which has seen an 81% increase in average daily users accessing our service over prior year. We made it easier for clients to view and engage with individual investment information including purchase and sale history, average prices, total income values received and next expected dividend dates. Fund switching functionality was introduced in March and we used banners on the app to guide and nudge client engagement.

For clients approaching retirement we added a new online drawdown journey, with 76% of applications now using this route and providing positive client feedback that allows us to continue to improve the experience and engagement with this key group. As the wealth management platform with the broadest suite of products to manage retirement, we will continue to invest to ensure we have the best tools.

Building financial resilience

At HL, building financial resilience is at the heart of what we do. The COVID-19 pandemic has reinforced the importance of effective savings and the need for individuals to be financially resilient but, while it has led many to engage more with their savings, we also recognise that this extraordinary year has reinforced a financial divide in this country. Every year millions of people experience life events that can cause a sudden loss of income or increase in expenditure. Yet many households lack the financial resilience to withstand such an event and have little protection against falling into difficulty. The impacts can be severe.

According to a national representative survey of 10,030 UK adults by Focaldata 18 months into the pandemic, just a third of Britons believe they're in good financial shape. And a quarter say their situation has worsened over the last six months. Those with the lowest levels of savings resilience are seeing their situations worsen.

I believe that we have a responsibility to play our part, so we are looking to add value to this important debate through additional insights, tools, guidance and advice. We launched the “5 to Thrive” campaign, the five key building blocks needed for financial resilience. Before the pandemic in 2019 the Financial Resilience Taskforce called for the development of a new index to track the nation's financial resilience to

help improve it. This is needed now more than ever. So, we intend to help by launching a new Savings and Resilience Barometer in January 2022, as a regular tracker of the nation's progress on resilience dimensions to create a dataset for regional and national policy makers to highlight where help is needed.

Outlook

Our performance in 2021 reinforces our position as the UK's leading digital wealth management service. It has also underlined the significant opportunity ahead for us to transform what it means to be truly 'market-leading'. Our past investment has helped us meet the demands of an exceptional year in a way that has left us with an expanded client base of 1.65 million clients, record-breaking levels of trading and a broader suite of services. We have continuously advanced our service as client needs have changed and we will continue to do so in the future to retain our leading position as the wealth market broadens and digitises further.

The size of the opportunity ahead is significant and our ambition to extend our position as the leading digital wealth management service as the market faces a structural shift in growth is clear. We expect the UK addressable wealth market to grow from £1.4 trillion² in 2021 to £1.8 trillion² by 2025, with the Direct Platform Market making up almost a quarter (23%) of this future pool.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Structural changes in the UK wealth market have been accelerated by the pandemic and we have learned from experience that clients expect ever-improving levels of service, increasingly delivered on a multi-channel basis via mobile, website, webchat and telephone helpdesk. The drivers of our success over the last five years will inform our response to the challenges and the opportunities we face over the next five years, with the ambition of providing our clients with the best services, products and tools to manage their savings and investments. To that end we have made some significant new senior hires during the period to strengthen our management team as we look to drive the next phase of our digital transformation, with the appointment of a new Chief Information Officer, Chief Technology Officer and a new Chief Risk Officer. In addition, following the recent announcement that our CFO, Philip Johnson, is standing down for personal reasons, we have commenced a search process to identify and appoint his successor. Philip has been a highly valued member of the management team and he will continue to work alongside myself and the Board to ensure an orderly transition.

With this continued investment in our people, proposition, service and technology as well as the cost of servicing an enlarged and growing client base, we expect FY22 costs to reflect this investment and continue to be broadly aligned to client growth.

The impact of COVID-19 on individuals, businesses and the economy still provides an uncertain backdrop to the current year. As we have eased out of lockdown and entered the summer months, we have seen a slowdown in dealing volumes and client activity versus the elevated levels this time last year, which is also normal for this time of year and in line with management expectations. However, given our enlarged client base, we would still expect to see stronger client activity in FY22 versus FY20 (which also included a few months of elevated activity during the peak of the pandemic period) and the breadth of proposition and client focus gives us confidence that as the year progresses, we will continue to win in this growing market.

We are also confident that in the medium term beyond this period of post pandemic 'normalisation' and investment, as demonstrated by the benefits we are already seeing from our previous investments, HL will continue to deliver attractive earnings growth with improving operating leverage as the benefits of this investment deliver.

1. Source – Platforum UK D2C Market Update, June 2021.

2. Source – FCA, Platforum, Pimfa, PAM Directory, Oliver Wyman estimates Summer 2021.

Addressable wealth definition = wealth served by Financial Advisors, Wealth Managers and D2C market.

DRIVING POSITIVE CLIENT OUTCOMES

We want to help clients make the most of their money at a level of risk that's right for them.



We aim to help clients become better investors by empowering them with the right education, information and tools.

More appropriate risk adjusted returns lead to better outcomes and a more financially resilient future for clients. It's the right thing for us to encourage.

Our client data and digital capabilities allow us to target our interventions to those who might benefit the most. We're able to use a variety of channels to deliver helpful information – from targeted emails and extensive website, to our telephone-based Helpdesk.

Our investment expertise and data has allowed us to distil client performance down to a few key factors. We're using these metrics when we review our products and tools, making sure they're driving positive client outcomes.

The initiatives have become part of our service, and something we're looking to build and continue. We don't ask clients for anything extra in return. Our success relies on our clients doing well.

MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET

Wealth management is experiencing structural growth and our proposition and service positions us well to capture the benefits of the trends.

Addressable market

The UK savings and investment market has seen significant growth in recent years and our addressable market is estimated at £3.0 trillion. Within this we operate as the leading Direct-to-Consumer (D2C) UK platform with a 42.9% share of a market worth £289 billion. The structural factors at play along with an acceleration of existing trends resulting from COVID-19, look set to provide growth for many years to come and as

the UK's leading digital wealth manager we have a great opportunity to win in this growing market.

Our addressable market is made up of an estimated £1.4 trillion of private wealth plus £1.6 trillion of cash savings giving an implied market share for Hargreaves Lansdown of about 4.5%. Outside the D2C space, the bulk of this addressable market is held through independent financial advisers, independent

wealth managers and vertically integrated firms. A significant amount of this investment pool will have been initially advised upon, maybe many years ago, but now receives no ongoing advice and little support. This provides a rich source of potential transfers to Hargreaves Lansdown as clients look to consolidate their investments onto our platform.

This £1.4 trillion is concentrated across around 7 million people with £100,000 or more of investments (source: ONS). However, more and more people are beginning to invest thanks to the various structural drivers explained below with COVID-19 accelerating this trend. In addition, pension auto-enrolment in the UK has revolutionised saving, with over 1.6 million employers and more than 10 million employees now participating in the programme.

STRUCTURAL DRIVERS



People are living longer



Ongoing low asset yields



Political and market uncertainty



Complex savings environment



Individual responsibility



COVID-19

MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET CONTINUED

OPPORTUNITY FOR GROWTH

Significant addressable market undergoing structural change

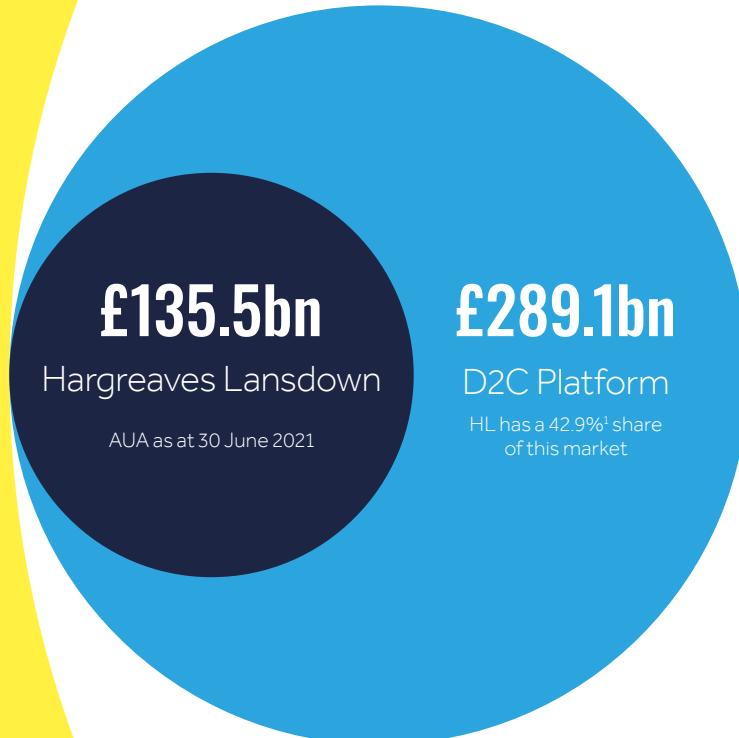
- People are living longer
- Ongoing low asset yields
- Political and market uncertainty
- Complex savings environment
- Individual responsibility
- COVID-19

Clients need help...

- Help to understand
- Help to manage
- Just make it simple for them to do

...and want exceptional experience

- Compelling proposition
- Excellent service
- Tailored client engagement



3.0 TN

Addressable market of wealth + cash²

¹ Platforum UK D2C Market Update, June 2021.

² Source: FCS, Platforum, Pimfa, PAM Directory, Oliver Wyman estimates – summer 2021. Addressable wealth definition = wealth served by Financial Advisors, Wealth Managers and D2C market.

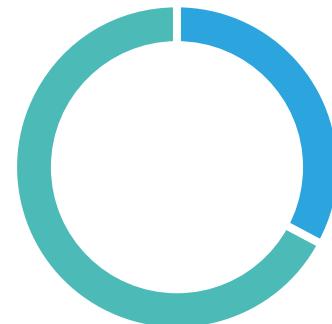
MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET CONTINUED

ISAs - HL has
1.1M+
accounts as at 30 June 2021 and

£55BN+
of invested assets

Junior ISA market share



● Hargreaves Lansdown 37%
● Competitors 63%

Structural growth drivers

There is an estimated £314 billion gap between retirement expectations and the cost of funding such expectations "The Savings Gap". The level of funding necessary to provide retirement income is increasing, driven by longer life expectancies, less generous company pensions and ambitious retirement expectations. The burden of responsibility for retirement is shifting from government and corporates to the individual. This gap cannot be closed without individuals taking ownership for self-provision and without the use of long-term investments alongside cash savings. Hargreaves Lansdown and the rest of the UK Savings industry needs to help bridge this gap.

Post the Retail Distribution Review (RDR) cost effective advice has been increasingly difficult to find. Most advisers concentrate on wealthier clients to whom they are now charging a direct fee, which has left a large advice gap particularly at the mass affluent end of the market.

Successive UK governments implementing further changes to pension savings, the introduction of various ISA products, the growing awareness of responsible investing and persistent low interest rates have made finding the right solution for individuals' investment needs ever more complex.

COVID-19 and the uncertainty it brings, has reinforced the importance of saving and investing and the need for individuals and families to be financially resilient. This has led to a surge in engagement as the event has reinforced and accelerated long-term trends. Many have started saving and investing for the future for the first time, particularly millennials. For those already on that journey, they have devoted more time to investing and have been putting cash savings they have built up across the various lockdowns into investments and in particular into ISAs and SIPPs where they benefit from the valuable tax breaks.

The factors above mean people need help and support more than ever before. They need help to understand, to manage and to do things simply and increasingly through digital means.

Within our addressable market, there are key segments such as adult savers, Pre-retirement and Retiring which alone hold c.£900 billion. Demographics and longevity alone will provide growth drivers in these key segments but, if the UK savings gap can be better addressed, then further impetus could be developed across these and other segments. Although other segments such as the very young and very old are not so key in terms of the opportunity, they still need engagement and investment solutions and Hargreaves Lansdown, through its breadth of offering, can address them too.

COVID-19 and the uncertainty it brings, has reinforced the importance of saving and investing and the need for individuals and families to be financially resilient.

MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET CONTINUED

Transfers in from across the wealth market spectrum show our wide appeal to investors who currently hold assets elsewhere. Similarly, cash transfers are significant as investors look to put their money to work in risk based investments given the all time low in savings deposit rates or they move their cash into our cash management service, Active Savings.

Managing investments in one place with a trusted company that makes things easy is an ambition for many investors and this consolidation process is a journey that many of them go through with us. Such consolidation of investments onto platforms has helped drive the UK D2C platform market and this trend looks set to continue.

Although there is a significant addressable market for execution only investing, financial advice still has an important role to play as people are often put off by the perceived complexities of investing, have insufficient time to devote to it or just want the comfort that an expert is involved. Such advice can be ongoing or one-off in nature to address a specific issue or to ensure that investment plans are on track. Hargreaves Lansdown, with around 75 highly qualified advisers, is well placed to service such needs. We believe that investors should have access to appropriate cost effective advice at the point they actually need it.

Support across your lifetime

Our proposition and service is designed to help clients of all ages from seasoned investors to those starting out. Our expertise and expanding capabilities help existing and new clients navigate the complexities of investing and saving, providing appropriate products and solutions for the young through to those at retirement in order to achieve their financial objectives.

ISAs

With the lowest interest rates on record, Stocks and Shares ISAs remain extremely attractive and we have seen significant increases in flows and account openings into the various ISAs on our platform. As at 30 June 2021, across the different types of ISA, we had over 1.1 million active accounts and over £55 billion of assets on our platform.

The current ISA allowance of £20,000 provides great scope for tax efficient investing, particularly for higher earners who stand to lose some of their annual pension allowance and are impacted by the lower lifetime allowances. The ISA is increasingly becoming a long-term investment plan for many and hence provides a significant opportunity for new business flows. According to HMRC, as at 5 April 2020, the Stocks and Shares ISA market was estimated at £305 billion with an additional £313 billion held in Cash ISAs and £5 billion in Junior ISAs. Based on recent HMRC data, the average annual amount subscribed into ISAs over the past five tax years has been c.£70 billion. These statistics clearly demonstrate a significant opportunity to gather more assets into our core ISA products.

The Lifetime ISA (LISA), launched in April 2017, is open to those aged 18 to 40 and can be used towards a deposit on a first home or towards saving for retirement. The allowance is capped at £4,000 per annum but is eligible to receive a 25% bonus from the government. As at 30 June 2021 we have over 89,000 accounts with £907 million of invested assets, which makes us the largest provider of LISAs. Many of our LISA clients are new to Hargreaves Lansdown highlighting how it serves as a way of attracting a younger demographic to our platform. For those who were already existing clients it helps strengthen the client relationship and enables us potentially to capture more of their investment wealth over time.

Since their introduction in November 2011, Junior ISAs have proved popular and Hargreaves Lansdown is the largest provider of Stocks and Shares Junior ISAs, with an estimated 37% market share by value as at 5 April 2020 (based on HMRC ISA statistics).

Engaging with investors at a young age provides us with the opportunity to build a relationship that will hopefully transfer into their adult years and potentially through their lifetime. Before the Junior ISA, the Government between September 2002 and January 2011 operated a Child Trust Fund scheme (CTF). Cash was given to each child along with the opportunity for parents or guardians to add to the investment subject to an annual limit. Some six million accounts were set up and are due to mature between 2020 and 2029. Although many of these CTFs will be small in value they present an opportunity to engage with a distinct segment of the population with a view to them becoming adult savers and investors on our platform.

Managing investments in one place with a trusted company that makes things easy is an ambition for many investors

MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET CONTINUED

Pensions

1.6m

employers participating in pension auto-enrolment in the UK¹

10m

employees participating in pension auto-enrolment in the UK¹

Better investor engagement with retirement savings and the decisions people can take to improve their financial futures is a high priority for us.

Pensions

Pension auto-enrolment in the UK has revolutionised saving, with over 1.6 million employers and more than 10 million employees now participating in the programme.

The workplace will continue to play a pivotal role in retirement saving and Hargreaves Lansdown Workplace Solutions, which already provides pension, investment and annuity services for over 500 employers, can really make a difference by improving employee engagement with saving through a range of high quality services.

Auto-enrolment has delivered demonstrable successes. However, Hargreaves Lansdown continues to lobby for further reform. We're particularly concerned about the retirement savings of the self-employed and the ability for savers to exert control as to where their pension savings are directed. The self-employed are currently excluded from auto-enrolment and generally shun retirement saving yet number over five million. The flexibility of the Lifetime ISA coupled with incentives that make it more attractive for basic rate taxpayers makes it an attractive product for this left behind group.

The impact of the introduction of Pension Freedoms in 2015 has been immense and whilst they have proved understandably popular with investors, regulation continues to evolve to protect investors from the financial risks the freedoms present. The free Pension Wise service is still not widely used and the FCA is introducing stronger prompts to encourage people to shop around, as well as consulting on investment pathways for non-advised drawdown investors. Hargreaves Lansdown participated in behavioural trials to assess ways to increase the take up of this free guidance.

Better investor engagement with retirement savings and the decisions people can take to improve their financial futures is a high priority. Hargreaves Lansdown is committed to being at the forefront in helping people meet this challenge. We can provide bespoke ongoing personal advice, but for many this is too expensive and not appropriate, so we are looking at more cost effective solutions which will give guidance or advice at the point clients really need it and have contributed fully to an FCA call for input on the subject.

New retirement regulation from the FCA such as changes to illustrations, wake up packs and annuity disclosures have all been adopted into our processes. In addition, by the February 2021 deadline we implemented simple investment pathways for those in drawdown. Early evidence from the measures we've introduced has shown a boost in engagement levels, signs of earlier retirement planning and an increase in annuity pay-outs, although uptake of investment pathways has been very low as anticipated.

Demographic pressures have not abated. Notwithstanding the progress achieved through auto-enrolment, the UK still faces a significant retirement saving challenge. This is likely to be exacerbated by the developing financial challenge presented by the increasing cost of providing social care. There is continued government support for retirement saving and an increased emphasis on personal responsibility and engagement. Hargreaves Lansdown is likely to be a beneficiary from this trend as we are a market leader in customer service, simplifying pensions and making it easy for people to save and invest with confidence.

Cash savings

Alongside risk-based investments, investors continue to hold cash despite persistent low interest rates on cash savings. Our research shows that there is £1.4 trillion of cash held in the UK including c.£650 billion in easy access type accounts and the remainder in term deposit accounts. "Active Savings", our digital deposit service provides a simple digital solution for managing cash savings. Since its launch we have continued to refine the proposition and during the year we launched our initial cash ISA offering. As at 30 June 2021, we had over 90,000 clients using the service with over £3.1 billion AUA.

Clients holding risk based investments invariably have cash held elsewhere so utilising Active Savings becomes a natural extension of their interaction with us and enables us to become ever more part of their financial lives.

¹ Department for Work & Pensions, Automatic enrolment evaluation report 2019.

MARKET OVERVIEW

CAPTURING GROWTH IN AN ATTRACTIVE MARKET CONTINUED

Active Savings remains a key part of our growth strategy and through additional functionality and more banking partners we will widen the appeal to existing clients and provide a significant marketing opportunity to attract new clients, particularly if we return to a more normal interest rate environment.

Digital wealth management

A shift to online digital wealth management was already underway but this trend has been accelerated by the impact of COVID-19. It is no longer sufficient to just have a range of products and services at a competitive price. Digital technology needs to be embedded right across the proposition from the initial opening of accounts, through the investment journey and ultimately the financial outcome. Clients want to do things simply and quickly; they want an engaging experience delivered through tailored content, online research, guidance and tools; they want to use their smartphones and they want to know this is being provided by a resilient secure platform. Our scale of client insight and data puts us in a great position to understand clients' needs and to focus our investment to deliver on these digital trends.

Competition

We operate in an increasingly competitive landscape and new competitors continue to enter the digital wealth market with innovative technology and new solutions. We are never complacent and continue to watch the competitive landscape closely. Where competition raises the awareness of saving and investing we see this as a good thing. Financial education and awareness in the UK is relatively low and hence high quality, client focused companies like ours have a key role in addressing these issues. Healthy competition ultimately delivers better outcomes for investors.

Achieving scale is key to becoming successful. Once scale is achieved, sustainable profits rely on continued investment in technology, people and a focus on how our clients' needs develop and how the regulatory landscape evolves. Hargreaves Lansdown does not rest up and is always looking to improve the experience for our clients, ensuring value for money is delivered.

Regulation

Regulation is an ever present theme in financial services and absorbs a considerable amount of time and resource. Hargreaves Lansdown is well placed to address the challenge this brings. Our primary regulator is the FCA and it oversees all aspects of our work, from how we manage our platform, give advice and run our fund management operations, to how we communicate with our clients. We seek to actively engage with the FCA on a wide range of consultations and policymaking.

Our CEO is a member of the FCA's Practitioner Panel, an advisory body drawn from the leadership of large firms. This gives us insight into the FCA's strategic thinking and policy development, and the opportunity to bring our expertise and client insight gathered through our interaction with 1.6 million clients to inform and influence the debates. During the year we have engaged with the FCA's developing approach on consumer investment markets. We have focused on how best we can guide our clients to better outcomes, giving practical examples where we would like to personalise guidance more effectively.

During the year to 30 June 2021, HL has participated on various regulatory consultations and has delivered two significant regulatory-driven implementations.

- Making Transfers Simpler took effect in February 2021, making the process of transferring between providers easier for clients.
- In January HL introduced Investment Pathways for Drawdown, going beyond the regulatory requirements to deliver a new digital journey for clients, which increased efficiency and made it easier for clients to make optimal decisions.

BUSINESS MODEL

FOCUS AND OPERATIONAL RESILIENCE DRIVE VALUE

Our client focused strategy and culture enables us to build long-term relationships and address the structural growth opportunities that exist. Continued investment in our people, marketing, technology and innovation ensures we can enhance our proposition, service and client engagement, which drives long-term sustainable growth.



FIND OUT MORE

Pg 26: Our strategy and KPIs
Measuring our strategic progress.

Pg 59: Our financial performance
The results we've achieved this year.

Pg 38: Responsible business
Having a positive impact.

Inputs

People

Our people are at the heart of Hargreaves Lansdown, ensuring we deliver on our core values. They develop knowledge and expertise, implement our strategy and deliver our products and services.

Technology

Our platform uses our own proprietary systems, allowing us to develop our products and services in a nimble, secure and efficient manner.

We embrace technological innovation to improve the client experience now and in the future through improved architecture that could enable collaborative opportunities.

We invest to ensure our systems are safe and secure, giving peace of mind to clients.

Marketing

We provide a multi-channel marketing approach to engage with new and existing clients, ensuring they have high quality information to empower them to save and invest with confidence.

We seek to understand our clients better, to tailor our communications to their needs and enhance a lifelong relationship.

BUSINESS MODEL

FOCUS AND OPERATIONAL RESILIENCE DRIVE VALUE CONTINUED

Growth Cycle

Growth in clients

We have a market leading, client focused, scalable platform and through a combination of investment and application of our core values, we continually improve the client experience, attracting new clients across the lifecycle and retaining our existing client base.

Growth in AUA

Growing the number of clients and nurturing our relationships with them over their lifetime drives the long-term sustainable growth in assets on our platform. The more happy and engaged clients we have, the greater is the flywheel effect for increased new business flows through transfers of investments held elsewhere onto our platform, new lump sum contributions and regular savings, particularly with regards to the tax allowances within a SIPP and an ISA.

Growth in services

We talk and listen to our clients to understand their needs along with those of our wider addressable market. This helps to focus our reinvestment and the allocation of resources to improve existing and develop new services, which makes us an ever more integral part of clients' daily financial lives.

Economics

Revenue

We generate revenues based on the value of assets managed on our platform, activity levels of our clients and a net interest margin on uninvested cash. Of these revenues, 62% are ongoing in nature, providing a high degree of profit resilience. By providing an excellent service we attract new clients and new assets, ensuring we are well positioned to grow revenues across the market cycle.

Costs

From our revenues, we fund the administration of the platform, our proposition and the business as a whole. Key to our strategy is the reinvestment back into people, technology and marketing, ensuring that we are always improving and evolving the service and maintaining our competitive advantage. We deliver all this whilst maintaining industry leading operating margins.

Profits and dividends

Our diversified revenue streams and scalability deliver strong profits which quickly convert into cash. After ensuring we maintain a surplus of capital over and above our regulatory requirement, we can then pay significant dividends to our shareholders. Our dividend policy is shown on page 64.

Value creation

Through placing clients at the heart of all we do, we have already achieved significant scale, but our continuing investment and adherence to our core values will enable further growth.

This will deliver long-term value creation not only for clients but across a range of stakeholders including:

Clients

We listen to clients and respond by investing and championing their cause to help them secure better financial futures and to make their financial lives easier.

Employees

We continue to increase the diversity and inclusiveness of our workforce and engage, motivate and inspire them to deliver excellent client service. Rewarding careers are delivered through investment in professional and personal development and a focus on wellbeing and mental health.

Investors

We deliver long-term sustainable returns through share price appreciation and a progressive dividend policy.

Society

We are a responsible corporate citizen, playing a positive, supportive and leading role in both our local community and wider society.

STRATEGY

KEY PERFORMANCE INDICATORS

We aim to deliver a market leading proposition and service to fulfil the long-term needs of clients

We provide a high quality and evolving client experience, deepen client relationships and become an integral part of their lives. The high levels of retention, engagement and client satisfaction drive net new business flows from existing and new clients.

DRIVING CLIENT GROWTH BY**Attracting**

- Strong brand
- Broad proposition
- Simple product and wrapper choice
- Ease of access

Engaging

- Outstanding client experience
- Research and content
- Online tools
- Investment solutions

Retaining

- Relentless client service focus
- Product and platform development
- Trust and governance

DELIVERED THROUGH**Excellent client service**

Efficiently providing a high quality service, across all touchpoints with clients, making their lives easier

**Client proposition and engagement**

Providing a growing range of services and solutions to meet the needs of clients

ACHIEVING**Great lifetime outcomes for clients****Sustainable returns for shareholders with reinvestment for future growth****WE MEASURE OUR SUCCESS**

We track Key Performance Indicators (KPIs) that reflect our strategic, operational and financial performance.

These drive internal management of the business and our remuneration.

STRATEGY

KEY PERFORMANCE INDICATORS CONTINUED

Excellent client service



Client retention rate

Based on the monthly lost number of clients, as a percentage of the opening months' clients and averaging for the year. A lost client is deemed as one who falls below a holding of £100.

Why

A high client retention rate is a sign that clients are happy with the service we provide and that it fulfils their investment needs. The longer a client is with Hargreaves Lansdown, the more assets they are likely to accumulate. High retention provides more certainty of future earnings.

Principal risks

Strategic and operational.

Progress for the year

- Remained open throughout COVID-19 ensuring all our core services were available to our clients.
- Through increased use of data analytics we have increasingly tailored our content for clients creating a more engaged experience for both new and existing clients.
- Enhanced functionality of the mobile app including Active Savings balances.
- As with previous periods of exceptional market volatility, such as the global financial crisis, some of our newest clients decided that the experience of investment was not right for them and withdrew from the service. Although the vast majority of clients have remained with us there has been a slight impact on our retention rate.

Result

92.1% (2020: 92.8%)

Excellent client service



Net new business (NNB)

Represents subscriptions, cash receipts, cash and stock transfers in, less withdrawals and assets transferred out.

Why

NNB is an indicator of the trust and security clients place in Hargreaves Lansdown along with the perceived value of the client offering. The greater the assets gathered, the greater the revenue.

Principal risks

Strategic and operational.

Progress for the year

- A record year for NNB including our best ever tax year-end.
- Record numbers of clients subscribing to their ISA (up 39% to 535,000) and contributing to their pensions (up 8% to 224,000).
- Increased our market share of the UK D2C Platform space to 42.9% and grew AUA on our platform by 30% to £135.4 billion.

Result

£8.7BN (2020: £7.7bn)

STRATEGY

KEY PERFORMANCE INDICATORS CONTINUED



Client proposition and engagement

Net new clients

Represents the change in active clients between the opening and closing position for the year (unique number of clients holding at least one account with a value over £100 at the year end).

Why

When added to our existing client base the greater the number of new clients, the better the potential for growing future AUA.

Principal risks

Strategic and operational.

Progress for the year

- A record year adding 233,000 net new clients.
- Significant marketing and advertising in the second half of the year including our second brand awareness campaign building on the success of last year's.
- New clients added across our range of accounts and across all demographic segments.

Result

233,000 (2020: 188,000)

Digital visits

Represents the number of visits to our website plus the number of app launches.

Why

Provides a view of the engagement and reach that Hargreaves Lansdown has with its digital footprint.

Principal risks

Strategic and operational.

Progress for the year

- Significant uplift in service, market reporting, education and reassurance communications during COVID-19.
- Increased brand awareness through our second national TV, press and digital campaign.
- Enhanced functionality of the mobile app including Active Savings balances.

Result

393M (2020: 249m)



Financial growth

Profit before tax (PBT)

Why

Gathering and retaining assets and clients drives revenue. This is managed on a scalable platform to deliver improved operating profits.

Principal risks

Strategic, operational, and financial.

Progress for the year

- Investment in technology and operations ensured we were operationally resilient enabling us to cope with record client transactions during the COVID-19 period.
- PBT on an underlying basis grew 8% (after removing last year's £38.8m gain on disposal of FundsLibrary) on the back of growth in assets and clients and record share dealing volumes.

Result

£366.0M (2020: £378.3m or an underlying £339.5m)

Diluted earnings per share (Diluted EPS)

Why

This is a measure of profit per share and is a metric used to determine value created for shareholders.

Principal risks

Strategic, operational, and financial.

Progress for the year

- The growth in the underlying diluted EPS was driven by the breadth of the business model and continued strategic execution.

Result

62.5P (2020: 65.9p or an underlying 57.8p)



People

Engaging our people by creating an inclusive, diverse and healthy workforce with equal opportunities for all.

Our people are our biggest asset and are fundamental to delivering our vision, our strategy and the sustainable growth of our business. We know that to deliver the best client experience and in order to contribute to a more sustainable and resilient society this needs to start with our colleagues. We want our colleagues to have meaningful and rewarding careers, where they can reach their potential, and a motivating and inspiring colleague experience that ultimately means they are better off through working with HL. We aim to do this by:

- Embedding a market leading culture where we live our values through doing things the "HL Way";
- Attracting, developing and retaining outstanding and diverse talent; and
- A focus on colleague engagement including a comprehensive listening and feedback programme to involve colleagues in the evolution of our business.

We believe this starts with having an engaged and inclusive workforce, which is one of the pillars of our strategy.

Impact of COVID-19 on our people

The past year has been difficult for all of us. At HL we've been fortunate that the pandemic has resulted in strong business performance and record client demand. However, this has also created challenges for our people due to increased levels of activity, dealing with service challenges and adapting to working in new ways with the majority of our colleagues working remotely. These challenges have also presented new opportunities to improve how we work together,

and we are actively involving our colleagues in identifying what has worked well and how we develop our new hybrid working model for the future.

Throughout the pandemic we've put colleagues' safety and wellbeing at the forefront of our approach. We've set up a working group of representatives from across the business including HR, Operations, Health & Safety, Risk, Facilities and Communication to manage the COVID-19 safety procedures and policies for our colleagues, particularly those working within our office.

We've communicated with colleagues regularly throughout and set up new channels including regular Executive Committee email updates, colleague forums for those working in the office and working remotely and a dedicated Sharepoint site. We've also held regular online 'Town Hall' sessions giving our colleagues direct access to our Leadership team.

We have also increased our focus on colleague wellbeing including provision of resources and guidance through a dedicated wellbeing hub on our COVID-19 Sharepoint site. This gave us the opportunity to provide greater visibility of our existing wellbeing initiatives such as our employee assistance programme. To help raise awareness across the business and increase direct support to colleagues, line managers have undertaken mental health training and we have increased the numbers of qualified first aiders and Wellbeing Champions. We also held a dedicated COVID-19 colleague forum, where a range of colleagues from across the business opened up to all about their mental health and wellbeing challenges and ways

of coping with them. As a result, we ran a number of colleague initiatives over the period running up to tax year end, traditionally our busiest period.

One of these initiatives was the launch of our new recognition scheme, HL Heroes, to recognise colleagues who demonstrated outstanding behaviours and conduct aligned to our values and embodying the HL Way. The awards recognised colleagues over a number of categories including role modelling our values, giving back to the community, collaborating with colleagues or demonstrating personal resilience and support of others. We received 180 high calibre nominations from which the winners were selected by panel of 12 colleagues from across the business. The winners were announced at a celebratory event attended by all nominated colleagues and the Executive Committee.

Our culture and the HL Way

Over the past year we've placed a big focus on developing our culture as this underpins the delivery of our strategy. We have launched the 'HL Way' as an umbrella term for 'how' we act at HL. The HL Way encompasses our values, our standards and the way we behave to deliver the best outcomes for clients, colleagues, communities and our shareholders. The HL Way has been created by colleagues and builds on our values and the great practices that already exist within the business. It is made up of a set of tools and guidance that helps colleagues to put our values into practice and make good decisions. It empowers effective and well governed decision making at the right level supporting HL to be agile and efficient and continuously improve client outcomes.

STRATEGY

OUR PEOPLE CONTINUED

Outstanding and diverse talent

Our focus on building a diverse and inclusive workforce is not simply because it is the right thing to do, but because we believe it will lead to better outcomes for clients, colleagues, our business and enable our sustainable growth. The more diverse our people, the more easily we can understand and meet the needs of our growing and increasingly diverse client base. Greater organisational diversity correlates strongly with better organisational performance and allows colleagues to realise their potential by bringing their whole selves to work. We believe that diversity of thought enables us to make better business decisions, manage risk more effectively and drive innovation.

We believe inclusion and diversity is everyone's responsibility, and are introducing specific objectives around this to encourage all colleagues to play their part.

Our I&D strategy

The objectives of our Inclusion and Diversity (I&D) strategy are to build a truly inclusive culture, increase ethnic minority representation and to continue with the progress we have made in increasing female representation.

Our Inclusion and Diversity strategy focuses on four pillars:

- Building an inclusive culture and brand;
- Recruitment and representation;
- Progression and retention; and
- Reporting and accountability.

Each pillar is supported by a detailed action plan to ensure we attract, hire, progress, engage and retain diverse talent and build a market-leading culture.

Female representation

We have made strong progress in increasing the proportion of women at senior levels. We are signatories of the Women in Finance Charter and are proud to have exceeded our target range (25-30% by 2021) early, with 30.4% of senior management roles held by women in June 2021.

In addition, we have achieved the 33% target set by the Hampton-Alexander Review for women on boards and are proud to have a female Chair and majority of female Board Committee Chairs. We are also pleased to report that as at 30 June 2021, women made up 26.7% of the Executive

Committee and its direct reports: an improvement from 23.8% when we last reported this data as at 31 October 2020.

We have recently published our fourth Gender Pay Gap report relating to 2020. We have reduced our mean Gender Pay Gap, down from 28.8% in April 2017 to 17.6% in April 2020. We have also significantly narrowed the median bonus gap since 2017 from 71.4% to 45.1% and mean bonus gap from 71.8% to 62.8%. However, we have seen marginal increases in our median Gender Pay Gap since 2017 from 18.3% to 19.1% in April 2020.

Full details of our Gender Pay Gap report can be found at www.hl.co.uk/about-us/gender-pay-gap

The more diverse our people, the more easily we can understand and meet the needs of our growing and increasingly diverse client base.

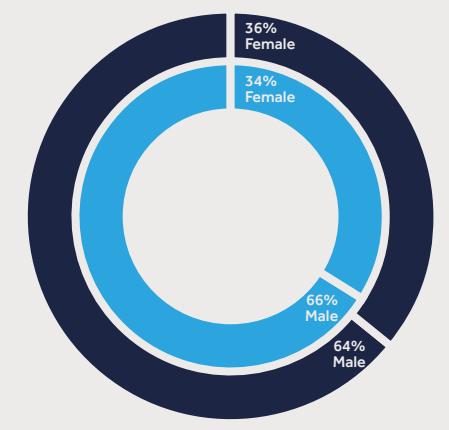
OUR WORKFORCE

Total workforce 2021: 1,842
Total workforce 2020: 1,610

As at 30 June 2021

	Board of directors	Other senior management ¹	Total employees (FTE)
Female	3 (33%)	10 (26%)	670 (36%)
Male	6 (67%)	29 (74%)	1,172 (64%)

¹ Other senior management is defined as an employee who has responsibility for planning, direction or controlling the activities of the Group, or a strategically significant part of the Group, other than the Board of Directors.



STRATEGY

OUR PEOPLE CONTINUED

We have driven this progress by focusing on how we hire more, promote more and lose fewer women. We strongly encourage hiring managers to interview gender-diverse candidate slates and to have gender-diverse interview panels. We are clear about our commitment to gender diversity with our recruitment partners and continue to educate our hiring managers to reduce bias in the recruitment process.

The progression of female talent is supported through our ongoing participation in the Women Ahead mentoring scheme and the introduction of a new Sponsorship programme for diverse talent. We also continue to improve our family friendly policies and include our support for flexible working in all our job adverts. In addition, we are focusing in particular on the areas into which it is typically challenging to hire women, for example, technology where a Women in Technology group has been established, amongst other initiatives, to help drive progress.

Ethnic minority representation

In our I&D strategy we have a number of initiatives which aim to increase ethnic diversity at HL, recognising that we do not currently reflect the community in which we operate:

- In 2020 we signed up to the Race at Work Charter to show our commitment to ensuring ethnic minority employee representation at all levels.

THE HL WAY

Josephine Grunwell
Joint Chief People Officer (Interim)

What is the HL Way?

Put simply, the HL Way is 'how' we deliver the right outcomes for clients, colleagues and our community.

It combines our values, our code of conduct and our regulatory and statutory obligations with our thorough understanding of our clients and their needs, to ensure that we are delivering the right proposition, service, experience and outcomes for all. It is not just the way we behave and work together but how we embrace all of these factors to deliver the experience that provides better outcomes not only for our clients, but also our colleagues and community. When we bring all of this together and deliver an amazing outcome, we are doing it the HL Way.

What is the HL Way in practice?

In practice, the HL Way provides colleagues with decision making frameworks and support, alongside guides and examples of good practice. All of this is aimed at bringing our values and conduct rules to life - underpinned by our knowledge, expertise, understanding of our client relationships and regulatory responsibilities.

The HL Way enables everyone to be ambassadors and hold each other to account. As market leaders it's even more important that we're all acting responsibly and consistently and only through doing this will we be able to deliver our strategy and thrive at scale.

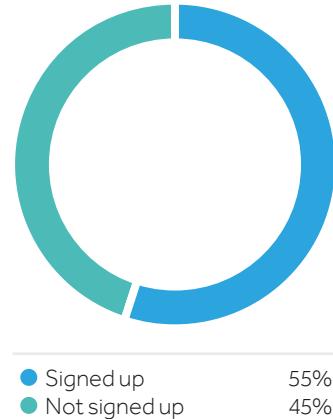
In future when we work together collaboratively, when we make decisions, when we think about what our clients want and need, when we engage with our stakeholders, and when we deliver, it will all be done with our consistent ways of working at the heart, enabling us to unlock what is special about this business, and deliver in the way only HL can.

We all play a crucial part in the fabric of the organisation and the HL Way is the thread that connects us all. It is everyone's responsibility.

STRATEGY

OUR PEOPLE CONTINUED

Eligible colleagues signed up to our Save as You Earn (SAYE) scheme



Groups have been active in promoting the importance of diversity and inclusion

350+ 

colleagues are members of one or more of the networks

- In February 2021, we launched the West of England Black Interns Pilot in partnership with Bristol City Council and the Mayor's Office, as part of Bristol's One City Plan. This initiative has generated over 40 internship opportunities for Black university students living or working in the region across 20 organisations in various sectors. This includes four interns who will be joining HL in September. We are proud to generate these career opportunities to open doors for Black students and to support the region's economic recovery.
- To support the progression of ethnic minority talent, we participate in the award-winning Stepping Up leadership programme run by Bristol City Council. This programme aims to change the leadership landscape in Bristol. The recent launch of a sponsorship programme aimed at female and ethnic minority talent is also in place to support progression.

We know that tone from the top and executive buy-in and accountability continue to be key to achieving sustainable change. We are further strengthening commitment to progress by ensuring Executive Committee members have specific gender and ethnicity targets for the 2021/22 performance year.

Our award-winning HL colleague networks play a critical role in fostering inclusion and belonging, and each one is supported by an Executive sponsor to ensure their activities get the visibility and support they need to have impact.

These networks continue to grow their membership, activities and influence and include:

- Gender diversity group;
- Cultural diversity group,;
- Kaleidoscope (LGBT+);
- Wellbeing groups including mental, physical fitness and social activities;
- Environment, sustainability and climate change group; and
- Financial Inclusion.

Over the year, the groups have been active in promoting the importance of diversity and inclusion as well as engaging colleagues. Over 350 colleagues are members of one or more of the networks, and the networks have delivered events across the year, marking key dates and campaigns, with both external speakers and internal panels. This includes celebrating black history month, LGBT history month, a Mental Health awareness week, Bristol Pride and celebrating International Women's Day. Following the Black Lives Matter movement, our Cultural Diversity Group led powerful conversations with the Leadership Group focused on talking about Race.

Whilst we know there is always more we can do, we feel proud that our 2021 Colleague Survey results showed that 72% of colleagues feel positive that HL values and promotes employee diversity (with 7% responding negatively and the remainder neutral).

We recognise that our Inclusion and Diversity policy cannot stand in isolation. We continue to review our People policies which support an environment that is not only free from discrimination and harassment, but one that encourages all colleagues to be authentic and bring their whole selves to work where they can progress their careers whilst balancing their career and personal life.

Whilst we are pleased to have made some progress, we are in no doubt that there is still work to be done. Our Inclusion and Diversity action plan includes initiatives aimed at supporting the progression of female talent to senior levels at HL via our participation in the Women Ahead mentoring scheme run by the 30% Club, the launch of a Sponsorship programme specifically aimed at female and ethnic minority talent, our Career Confidence Mentoring Scheme and colleague-run #iamremarkable sessions.

We also aim to interview diverse candidate slates for all senior roles and support this through training hiring managers to reduce bias in the recruitment and selection process, reviewing job advert wording and requirements and increased dialogue with recruitment agencies.

We have made it easier for candidates to learn about our family-friendly policies by publishing them on our career site and, over the past three years, have introduced a range of initiatives to increase the fairness and consistency of pay.

STRATEGY

OUR PEOPLE CONTINUED

Reward

Key to attracting and retaining the best people is our approach to reward. We use independently benchmarked pay and benefits data to ensure we pay our colleagues fairly for the work they do. To complement our pay, we include the majority of our colleagues in a bonus scheme linked to the success of HL and individual performance. The 'how' is just as important to us as the 'what' and colleagues are assessed on the delivery of their objectives, the behaviours they display and how they've demonstrated our values.

We believe in clear, fair and transparent pay and reward. Our salaries go beyond our legal obligations, the National Living Wage (and national minimum wage for those on internships, placements or apprenticeships) and we are proud to say that we are now Living Wage Foundation Accredited.

We believe that our colleagues should be able to share in the success of our business and all colleagues are eligible to sign up to our Save as You Earn (SAYE) scheme. As at 31 March 2021, 55% of eligible colleagues participated in our Sharesave Scheme.

To complement our direct financial rewards, we provide Company matched pension contributions (which includes a double matching scheme to encourage our colleagues to save for their retirement) and extended life insurance protection. HL Rewards, our flexible benefits scheme, offers a great range of protection, health, financial and lifestyle benefits to ensure we provide a benefits package that our colleagues value. This includes the introduction of double matching of any payroll giving that colleagues make to the HL Foundation.

We have human resource policies in place to attract a diverse workforce and our colleagues can expect to develop in an environment that is free from discrimination and harassment.

We are an equal opportunities employer and give full consideration to all applications.

If colleagues become disabled, we strive to continue employment, either in the same or an alternative position, with appropriate retraining being provided. A full assessment of their need is undertaken and reasonable adjustments made to the work environment or practices to support them.

Developing people and building a talent pipeline

We have developed a range of schemes to widen our recruitment pool, improve diversity, and grow the skills and capabilities of our people including (numbers represent active participants):

- Apprenticeships – 8;
- Placements – 7;
- Graduate scheme – 6; and
- Mentoring – 65 mentors, 72 mentees.

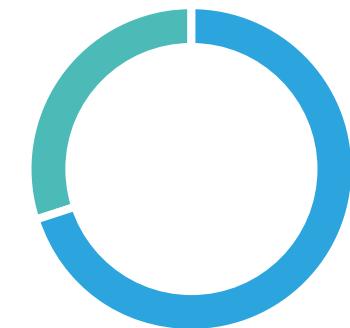
We offer two types of apprenticeship – the New Specialist Apprenticeships (NSA) which offers the opportunity for new colleagues, without previous experience, to develop skills and experience within a particular profession; and our Career Development Apprenticeship (CDA) which is an opportunity for colleagues who are already working at HL in a specialist role, to develop their skills through its completion.

We currently have eight apprentices on our schemes, we are in the process of recruiting an Early Careers specialist whose role will be to develop the strategy, which will include offering more opportunities in the year ahead.

Our Placement Scheme supports seven colleagues and is designed to give participants a preview of working life over a 12-month period and gain hands on experience of our working and social life. We offer placements in a variety of business areas as providing a range of additional projects in which to get involved. As part of the programme, placement students work on a live client focused project which is presented back to our CEO.

Our graduate training scheme looks to build talent on our bespoke two-year programme with rotations across key departments before choosing a specialism. Graduates are coached by senior managers and members of the Executive Committee, and mentored by previous graduates, giving the programme a nurturing and supportive feel. At the end of the programme, the graduates find a role at HL that matches their personal skills and ambitions and meets business need. We had three new graduates start the scheme in 2020 and expect a further five to start in September 2021. We welcome applicants from a broad range of backgrounds and see the programme as a great source of diversity of thought for HL.

Response rate to the annual colleague engagement survey



● Response	70%
● No response	30%

Annual colleague engagement survey

72%

of colleagues agreed that HL values and promotes colleague diversity

72%

of colleagues would recommend HL as a good place to work

STRATEGY

OUR PEOPLE CONTINUED

Annual colleague engagement survey

81%

of colleagues agreed their manager supports them in their learning and development

90%

of colleagues agree there is good cooperation and teamwork in their teams

Learning and development

Learning and development is a key component of our People Strategy, and it's important to us that all colleagues have the opportunity to develop their skills regardless of experience, age, background, or role. Our fully blended learning provision offers a broad range of opportunities, with the use of technology providing bite-sized, digital learning to support the ongoing engagement and development of colleagues when they need it.

We recognise the importance of building a pipeline of skilled and motivated talent for future leadership roles and have developed a new robust HL Leadership Model to ensure we deliver this pipeline and retain those in business critical roles. We have career development paths for both specialist and managerial career streams, recognising the differences in skills required. We use this to help colleagues understand where to focus their development activity.

We also have a comprehensive mentoring offering for colleagues: "HL Career Confidence". This scheme aims to build confidence and support mentees to release their potential and achieve their career aspirations. The scheme now has 72 mentoring relationships in place and has received positive feedback showing that the scheme is making a tangible difference to the engagement, development and growth of participants.

Colleague engagement and listening

It is widely recognised that an organisation whose colleagues are engaged with its purpose, values and culture will perform better than others, and create value for clients and shareholders. This is because engaged colleagues feel a strong connection with their place of employment and understand how their work adds value to strategic delivery.

We believe it is important to listen to and understand our colleagues' views and motivation; their honest feedback is crucial in evolving our colleague engagement programme. Our most recent annual colleague engagement survey received a strong response rate of 70% (2020: 68%) with a record 66% engagement score (2020: 63%). In the context of this challenging year, we were delighted to see our "Manager" index increase to 78% (2020: 71%).

In addition to our twice yearly engagement survey, we have run regular pulse surveys so that we can quickly respond to colleague sentiment. We've also used the survey to obtain colleague insight into topics such as communication, whistleblowing and our future workplace.

Memberships, accreditations and partnerships



Women in Finance Charter

We signed the Women in Finance Charter in May 2016, a pledge for gender balance across financial services



Fostering Friendly Organisation

We are an accredited Fostering Friendly Organisation



30% Club member

We are a member of the 30% Club, which aims to increase gender diversity at Board and senior management levels



Women in Business Charter

We are a signatory of the Women in Business Charter



Disability Confident Employer

We are a Disability Confident Employer



Living Wage

We are an accredited Living Wage Employer

STRATEGY

OUR PEOPLE CONTINUED

We are always listening, and alongside pulse surveys we also have the HL Colleague Forum. The Forum was set up in January 2019 in line with the UK Corporate Governance Code to make sure that the 'voice of the workforce' is considered in the decision making process of the Board. It meets periodically throughout the year and is an important forum for obtaining and discussing colleagues' views on key matters affecting the Group. Key topics discussed in the period under review have included Executive Director and senior management pay, and the Group's culture and engagement with colleagues during the COVID-19 pandemic.

Human rights

Hargreaves Lansdown has a zero tolerance approach to slavery and human trafficking of any kind within our business operations and supply chains. We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure slavery is not taking place anywhere in our business, or in any of our supply chains. We recognise this is a serious global issue and are committed to improving our practices and playing our part in combatting slavery and human trafficking.

We adhere to our Human Rights policy at all times and we are fully compliant with our obligations under the Modern Slavery Act 2015. One of our core values is to do the right thing, which includes treating people fairly whether they are our clients, colleagues, contractors or people working in our supply chain. Our Human Rights Policy has been refreshed this year to reflect key developments in the human rights agenda. The Policy defines our commitment to human rights including, but not limited to, the prevention of modern slavery and the provision of remediation when necessary, in our operations and supply chains. This includes the colleagues we employ and their right to be treated equally and their freedom of association. We all have a responsibility to be alert to the risks of modern slavery. We continue to take further steps to ensure we have the right training and controls in place to combat slavery and human trafficking, and in our statement we explain how we are doing this.

Please visit our website – www.hl.co.uk/__data/assets/pdf_file/0009/11399832/Modern-Slavery-Act.pdf

Anti-bribery and corruption

Hargreaves Lansdown maintains a full suite of policies and procedures to guard against bribery and corruption. This includes an Anti-Bribery Policy, outlining the offences, responsibilities of all colleagues and clear reporting procedures; a Whistleblowing policy and process; Fraud, Anti-Money Laundering and Market Abuse policies and procedures for dealing with making and accepting gifts and hospitality. All colleagues undertake bespoke training programmes, at least annually, for all these areas, in addition to having access to online guidance and procedures aiding awareness. Colleagues can access policy and guidance statements via the Group intranet and these procedures are reviewed and updated on a periodic basis by the Senior Managers responsible for them.

Please visit our website – www.hl.co.uk/corporate-social-responsibility/our-policies

It is widely recognised that an organisation whose colleagues are engaged with its purpose, values and culture will perform better than others and create value for clients and shareholders.

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS ARE AT THE HEART OF OUR STRATEGY

Stakeholders are at the heart of our strategy and business model. Engaging with them helps us to understand their evolving needs and informs our strategic decision-making.

We have invested in the development and involvement of our stakeholder communities as we believe it is the right thing to do. These pages provide a snapshot of just some of the ways in which we have done this across the year.

SECTION 172 STATEMENT

You can read about how the Directors consider the interests of our stakeholders when complying with its obligations under Section 172 Companies Act 2006 in our Section 172 Statement.



FIND OUT MORE

Pg 130: Section 172 Statement



Clients

Understanding and reacting to our clients' needs is critical to our long-term success.

How did we engage with them?

- Targeted group surveys and website surveys
- Continued monitoring of client behaviours across our digital platforms
- Feedback received from the 1.7 million client calls received by our Helpdesk
- Individual 'depth interviews' to explore underlying motivations and ways of thinking
- Client testing for all new products, services and journeys using COVID safe methods

Key topics raised

Clients told us that they wanted:

- Practical help on how to achieve diversification, and invest in line with 'responsible' or ESG values
- Great value and support across all stages of their savings and investments life
- Frameworks and guidance to help make the best financial decisions, manage their emotions and ultimately achieve good outcomes

How did we respond?

- We analysed clients' portfolios and communicated with those clients whose portfolios lacked diversification.
- We extended our coverage of 'responsible investing' adding two more responsible funds to our Wealth Shortlist, as well as covering even more shares, funds and Investment Trusts
- We introduced tiered cost reductions over our HL Multi-Manager fund range
- We introduced 'Charges Comparison' to help clients compare fund costs against their peers
- We launched four new Investment Pathways and an online application for Drawdown, vastly improving the process for clients
- We started the Financially Fearless campaign to help women become more confident investors

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS ARE AT THE HEART OF OUR STRATEGY CONTINUED



Employees

Our success is built on talented and committed employees who bring our values to life across the business to deliver our strategy the HL Way.

Engaging colleagues is key to creating and maintaining a healthy culture at HL, we have done this through:

- Colleague Forums, bi-annual colleague engagement surveys, regular pulse surveys, COVID-19 related forms and other ad hoc focus groups.

- What the future of work looks like for HL, building on the positive lessons learnt from the last year
- Business prioritisation and the need for clear alignment and cross-team collaboration

- Launched a specific return to the office taskforce looking at bringing people back and thinking about how we evolve longer term
- Involved all our leaders and teams in our strategy cascade and conducting a business-wide prioritisation exercise to ensure activity was focused on our strategic priorities

Shareholders

As owners of our company and providers of capital, supportive shareholders are instrumental to our growth.

We engaged with our shareholders through:

- Our senior management team who met with shareholders and potential investors across the year via a programme of results presentations, individual and group meetings and attendance at virtual conferences both in the UK and abroad.

- COVID-19 and the impact on the business, dealing volumes and revenue margins and how this may play out as we ease out of lockdown
- Quality and behaviours of new clients

- Updated our I&D strategy and launched a new leadership development programme
- Key topics for investors are incorporated into presentations and results announcements across the year and for separate governance and ESG meetings held by the Chair

- Our AGM, which provides an opportunity for shareholders to ask questions, albeit virtually in advance last year, and vote on resolutions
- Our corporate brokers and sell-side analysts provide valuable feedback and market insight.

- The competitive landscape and potential pricing pressure
- How we are dealing with ESG as a business, a platform and a Fund Manager

- Regular reports and feedback to the executive team and the Board on key market issues and concerns.

Society

Businesses that serve local communities and wider society will be those that thrive in the future.

- Active engagement with policymakers to ensure the position of retail investors in the UK is understood and policies are designed to help investors
- We have explored citizenship and sustainability agendas through various relationships with community partners, charities and Bristol One City Plan.

- Retail access to IPOs
- Supporting the communities in which we operate to thrive

- We have campaigned to increase access to retail IPOs
- We have seconded five HL employees to the Local Enterprise Partnership to support the recovery of communities, businesses and public services of the West of England following COVID-19

- We listened to issues raised at our AGM

- To consider our climate strategy and the environmental impact of our operations

- We attained the Living Wage Accreditation in May 2021
- We have considered climate change impacts on our business and issued our first TCFD report

RESPONSIBLE BUSINESS

TOWARDS HIGHER STANDARDS

From supporting the local community to minimising our global environmental impact, our aim is to ensure our actions have an increasingly positive impact.

Hargreaves Lansdown is enabling clients and society to build their financial resilience. As a leading FTSE 100 financial services company, HL is committed to setting a positive example for clients and the community by integrating sustainable social, ethical and environmental considerations into our operations with a long-term view of managing the wider environment and social footprint.

We take our approach to Environmental, Social and Governance (ESG) issues seriously, with clear actions and priorities across the full ESG spectrum.

"E" is about how we reduce our impact on the environment and ensure our business and the service we offer our clients is sustainable for the long term. It means assessing and addressing risks to the resilience of our business over the long term and as such ensuring we are well prepared for the challenges our clients, community and other stakeholders will face in future.

"S" is about how we support our community, clients and colleagues. There is increasing scrutiny on how businesses treat their colleagues and communities – it needs to be fair, transparent and have clear alignment to addressing the issues in our society. We ensure that our colleagues and clients can be confident that HL is a business that does the right thing.

"G" is about how our governance supports the long-term resilience and sustainability of our business. We have an effective governance structure that allows for the robust challenge and transparent reporting that is expected from a business of our size and influence. It helps us to make and execute better decisions. Clear and effective governance is key to this and integral to our ESG and wider strategy.

Campaigning on behalf of UK investors

We always endeavour to do the right thing for our clients and other stakeholders. Our mission is to create better client outcomes, which will build financial resilience. We actively campaign on issues, through engagement with policymakers, where we believe that investors in the UK will benefit.

Examples include:

- Engagement with government and regulators on improving the advice and guidance landscape, measures to mitigate scams, reducing withdrawal fees from LISAs, improving people's engagement and control of their workplace pensions, and improving access to pensions for the self-employed.
- Supporting policymakers with client insights, for example through a trial which drove greater take up of the Government's free Pension Wise Guidance.

OUR APPROACH TO CORPORATE CITIZENSHIP

Community

Playing a positive, supportive and leading role in our local community
[Page 39](#)



Environment

Building a lifelong, sustainable and responsible business
[Page 42](#)



TCFD

Our increased focus on climate related financial information with our first Taskforce on Climate-related Financial Disclosures report.
[Page 45](#)

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

- Being active members of the Bank of England, HM Treasury, Financial Conduct Authority Productive Finance working group. This group is considering new investment vehicles for financing long term assets.
- Working with industry groups to champion client interests on a variety of policy issues including on improving transfer times.

Tax strategy

Integrity and good conduct are central to our culture and this means we aim to comply with both the spirit and the letter of the law and are committed to conducting our tax affairs in a clear, fair and transparent way.

Taxes provide public revenues for government to meet economic and social objectives. Paying and collecting taxes is an important part of our role as a business responsibly operating within and contributing to society.

We aim to comply with all our tax filing, tax reporting and tax payment obligations.

We seek to maintain an open, honest and positive working relationship with tax authorities and we do not undertake aggressive tax planning. Our corporation tax and employer's National Insurance paid in respect of the year ended 30 June 2021 was £77.5 million (2020: £99.5m). In addition, we pay other taxes such as VAT, stamp duty and business rates.

Our full tax strategy is available at www.hl.co.uk/about-us/taxstrategy.



Community

Our values have always guided how we act, and as a company we have always strived to go the extra mile and do the right thing. From supporting the local community to minimising our environmental impact, our aim is to ensure our actions have a positive impact on society.

We're proud of the contribution our colleagues and business make to the local community and our focus has been on supporting activities that encourage social mobility whether through education, food provision or financial resilience.

Our activities support our local schools, colleges, universities and communities and are focused around three core aspirations:

- We support Bristol as a city where everyone can thrive
- We are a socially responsible and committed employer
- We want to support and promote financial resilience for all

Financial inclusion and social mobility

We take our responsibility to deliver financial inclusion and education seriously. We aim to raise awareness about the importance of investing for your future, and saving from an early age.

Our service educates other organisations on investing and pensions and this is something we want to do more with schools and universities. We have an internal Financial Inclusion Group who are a group of volunteers dedicated to supporting financial education and inclusion initiatives in the community. The group educates school and university students because it is important to build good financial habits early. Topics include: budgeting, savings and their future options. We are looking to extend this further to community groups.

We appreciate the difficulties the pandemic has presented to education and have donated over 200 laptops to schools in order to close the digital divide. Our apprenticeships and placements offer students the opportunity to gain experience and life skills.

Bristol and the local community

Our response to supporting our community spans high level strategic involvement with key stakeholders in the city, through to targeted initiatives that allow colleagues to volunteer on specific causes. We support local projects and plans which aim to improve the lives of the people who live and work in the city.

Local Enterprise Partnership (LEP)/West of England Combined Authority secondments:

In July 2020 we seconded five HL colleagues to the Local Enterprise Partnership to aid in the Regional Recovery Taskforce. The purpose of the West of England Regional Recovery Taskforce is to support the recovery of the communities, businesses and public services of the West of England following COVID-19 by addressing adverse impacts and to drive economic recovery that reflects the priorities of clean and inclusive growth.

A year on, and thanks to the hard work of all those involved, real progress is being made with HL colleagues providing "a much needed driving force" and "it feels like there is now an engine powering the recovery plan". This is a great example of HL making a difference.

The key areas of involvement included:

- Putting together a recovery plan, including measures to help businesses adapt to the new economic landscape and improve resilience, as well as support for residents to develop new skills, training and employment opportunities.

RESPONSIBLE BUSINESS

TOWARDS HIGHER STANDARDS CONTINUED

- Looking at the impact of the Government's economic measures on businesses and communities, identifying where additional support is needed.
- Feeding back to government, lobbying to ensure the West of England has what it needs for economic recovery; advising and supporting a managed exit from lockdown arrangements and identifying the next stages of financial support needed.

The LEP work is a great example of how we have had a positive impact in the community, and on our regional economy at a strategic level.

In addition to the LEP, we have a number of focused initiatives operating within the city, aimed at mobilising action around a key topic, notably the West of England Black Interns pilot programme and the South West Mentoring Awards, which we started back in 2018.

Whilst the LEP worked at a strategic level to support the community, we have also been working with a number of smaller partners to help provide support to those who have been impacted by the pandemic and facing increased hardship as a result. This includes partnerships with FareShare and the NHS responders, supporting the vaccination roll out. This year, we supported FareShare South West's emergency food operation, FoodStock 2020. Our volunteering and fundraising helped to deliver 3.4 million meals to over 350 frontline projects across the region working with the most vulnerable people.

Memberships, accreditations and partnerships



Bristol Equality Charter

We are founding members of the Bristol Equality Charter which is a cross sector collaborative approach to address inequality in Bristol



Period Friendly Places

We are a donation point and supply four locations in Bristol, including being a period friendly employer



Social Mobility Pledge

We are a signatory of the Social Mobility Pledge



Bristol Green Capital Partnership

We are a member of the Bristol Green Capital Partnership



FTSE4Good

We are listed in the FTSE4Good index series demonstrating our strong environmental, social and governance principles



Bristol Sport Foundation

We have a volunteering partnership with Bristol Sport Foundation



Bristol Learning City

We support the initiative through funding cloakroom libraries and volunteering in schools



Envision

We support Envision by volunteering as business mentors



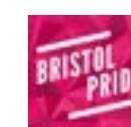
FareShare

We work with FareShare to fight hunger and tackle food waste



United Nations Sustainable Development Goals

We have aligned our Corporate Social Responsibility strategy to these goals



Bristol Pride

We are proud sponsors of Bristol Pride



St Paul's Carnival

We are proud sponsors of St Paul's Carnival

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

Volunteering:

The HL Volunteering Scheme gives people a chance to volunteer by having two days (or 16 hours) of the calendar year to offer their time, skills and experience to good causes. Initiatives run as part of our volunteering scheme include working with Bristol Sport Foundation to support disadvantaged children, providing volunteers to read to primary school children as part of the Bristol as a Learning City project and supporting the Healthy Holiday's appeal to help feed children over the summer holidays.

We also run a number of volunteering schemes, focused on building social mobility and improving resilience. These are primarily based within schools, developing the building blocks to enable future resilience, focusing on basic numeracy and literacy skills. Our Envision Mentoring programmes enables young people to work with business mentors to tackle a real-life social issue, whilst gaining insight into the world of work through meaningful employer engagement.

All of our schools volunteering activity takes place with young people who have been identified as in receipt of the pupil premium/eligible for free school meals, with the hope of building confidence and employability skills.

Our volunteering scheme has exceeded 3,500 hours volunteered since 2019.

One City Approach:

We were a founding signatory of the Bristol Equality Charter – a pledge by the signatories to take actions relevant to them, to improve equality and diversity across the city. We are a founder member of the Bristol Equality Network, and we have signed the Women in Business Charter.

We continue to be active participants, through our involvement with the Bristol City Office, in the ongoing development of the Bristol One City Plan, an initiative to develop a shared vision for Bristol which brings together participants from business, public sector, voluntary organisations and local communities to help identify and address key challenges facing the city.

Examples of our involvement include supporting the city wide initiative to end period poverty in Bristol and the Stepping Up mentoring scheme, a region wide positive action leadership programme aimed at changing the diversity leadership landscape across the public, voluntary and commercial sector.

HL Foundation

The HL Foundation is our charitable trust. The Foundation's mission is to utilise the skills and time of our workforce and partners to make a positive, sustainable difference in the world around us.

At Hargreaves Lansdown we want to do more than empower people to save and invest. We want to help the next generation, we want to support local communities, improve people's health and wellbeing and change people's lives for the better.

“

The HL Foundation utilises the skills and time of our workforce and partners to make a positive, sustainable difference in the world around us

The HL Foundation enables us to raise money for charities who do all these things and more. The charities we support are nominated and selected by employees.

In 2020, the HL Foundation supported Help Bristol's Homeless as our charity partner of the year, raising a record £180,000. This funded a new wellbeing centre and at least two self-contained living apartments.

Our charity partner for 2021 is 1625 Independent People. They are a Bristol based charity, which prevents young people aged 16–25 from becoming homeless and supports young people who are homeless or at risk of being homeless. The prevention and support work is centred around helping people to become financially independent, as evidence shows that this is the most effective route for sustained independence. We have a programme of engagement focused on fundraising and volunteering activities, including financial education sessions and skill based volunteering to support the charity operations.

Social mobility starts with young people and addressing challenges such as homelessness is a way that we can really start to build a more financially resilient society that can access and benefit from opportunities to build strong, stable futures. Our fundraising aim is to help in financing the renovation of affordable housing for the charity, a mental health support worker and mentoring coach. As well as support to fundraising, we also offer colleagues double matched payroll giving. This has trebled the numbers of colleagues donating via Give As You Earn (GAYE).

All of the legal and administration costs of the Foundation are met by the Group so 100% of the money raised goes to the employee nominated charities.

More details can be found on the website www.hl.co.uk/about-us/hl-foundation

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED



The Environment, sustainability and climate change

Our commitment to sustainability means integrating social, ethical and environmental considerations into our operations. Strong corporate governance ensures sustainable management and growth with a long term view and a responsibility to manage our wider environment and social footprint. We have committed to support the delivery of the United Nations Sustainable Development Goals (UNSDGs) and finding opportunities within our businesses to build a cleaner, more resilient and inclusive world.

HL acknowledges the impact it has on the environment and climate change, and is committed to:

- Identifying and assessing environmental aspects to determine those that are significant, as explored in our TCFD report on page 45;
- Committing to be net zero by at least 2050 and to be carbon neutral across our scope 1, 2 and 3 business travel and employee commuting emissions by 2025. Find out more on page 48
- Providing all employees with relevant education and information to encourage them to live and work in an environmentally responsible manner;
- Focusing on continual improvements in environmental performance and activity by means of a proactive colleague Environmental, Sustainability and Climate Change network; and
- Aligning the Company strategy to support the delivery of the UNSDGs.

Our business is fundamentally based on intellectual capital and conducts the majority of client transactions online and undertakes no industrial activities. Therefore, the direct environmental and social impacts of our daily operations are limited. We are aware that under Scope 3 emissions, our investment portfolio is the most material source of carbon emissions and we are currently reviewing our approach to this.

Running and maintaining our IT infrastructure at our offices and data centres comprises the main source of our environmental impact. This supports our award winning platform which is fundamental to the success of our business. The installation of energy-efficient servers, transitioning to cloud hosted services and a programme of cyclical replacement of hardware and software reduces our energy usage and cost.

HL Tech, our Warsaw technology hub, operates in a similar way, in a new, environmentally friendly building, where the impact is also low.

Doing it better for our clients

Our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of protecting client data, reducing costs and improving efficiency. We aim to deal with clients and other businesses electronically wherever possible, not only to speed up information transfer, but also to reduce the amount of paper we use.

We have invested heavily in providing a user-friendly, comprehensive website, a mobile app and automated links to banks and fund providers. As a result, 90% (as of May 2021) of our clients now use our paperless service.

Where we do send out paper, such as our flagship magazine The Investment Times, we use sustainable resources and minimise our use of plastic. The Investment Times is now sent in recyclable paper envelopes rather than degradable plastic saving the equivalent of 1.4 million plastic bags.

We recognise that sustainability and ethical behaviour is increasingly important to our clients and we provide investment information, research and guides on ethical investing to support our clients, in addition to the inclusion of five responsible funds in our Wealth Shortlist. There are more than 150 socially responsible investments on the platform (including funds, ETFs and Investment Trusts).

We believe in the transparency of data and actions towards a climate resilient management of our business. In part, this is to continually plan and take action as a business by working with changing regulatory policy. As such, we have been disclosing to the Carbon Disclosure Project (CDP) since 2018 and have included our first TCFD in this report, page 45. We collaborate with rating agencies such as Sustainalytics and MSCI, which helps highlight where we can improve. We aim to continue to go the extra mile in this area and increase our participation in forums and industry collaboration.

“

Our commitment to sustainability means integrating social, ethical and environmental considerations into our operations

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

“

Following COVID-19, we are on a mission to come back to the office greener

HL is listed on the FTSE4Good index series, demonstrating our strong environmental, social and governance principles, having been independently assessed according to the FTSE4Good criteria. The FTSE4Good index measures the performance of companies that meet globally recognised standards on corporate social responsibility. To be included, companies must support human rights, have good relationships with various stakeholders, be making progress to become environmentally sustainable, ensure good labour standards (not only for their own company but for companies that supply them) and seek to address bribery and corruption.

The importance of climate change at HL is championed by our internal Environment, Social and Governance (ESG) Committee, which continually drives our ESG practices. The Committee, which includes investment managers and senior leaders, provides oversight and governance of our broader internal and external plans which is driven by the Board.

Doing it better for our colleagues:

We promote energy efficiency and the avoidance of waste throughout our operations, in accordance with our environmental policy.

- Improved recycling initiatives – 100% of the general waste and packaging disposed of in our head office is recycled. We are implementing food waste recycling across our offices;
- Reduced our water usage by 14%, in line with our ambition to minimise our water usage across our operations;
- Improved integration of sustainable procurement processes; and
- Set our Environmental Policy and considerations.

Following COVID-19, we are on a mission to come back to the office greener. This a core principle of our sustainability strategy. Working alongside colleagues across internal departments we are embedding sustainability considerations within our return to the office planning. This includes advocating for employees to engage in sustainable behaviours by providing the facilities within our office, such as bicycle storage, free bicycle maintenance checks and amenities such as changing rooms to enable more sustainable commuting. We recently increased the allowance available for the Cycle to Work Scheme and offer season ticket loans for employees to use public transport.

We shred and recycle all confidential waste. We save energy through the passive infrared sensor lighting in our offices and we have a number of initiatives internally to reduce our paper use, with the ambition of being a paperless office. These activities are supported by running educational talks to promote recycling, from external speakers such as City to Sea, Avon Wildlife Trust and The Soil Association. We donate old office and IT equipment to schools and charities where appropriate or dispose of via specialist third parties.

Our Financial Advisers are spread throughout the UK which minimises travel time and carbon emissions. We also provide a telephone advice service where a face-to-face meeting is not required.

COVID-19 has resulted in the facilitation of moving the majority of our colleagues to work from home using laptops, which, as well as consuming less power than desktop computers, reduces our employee commuting emissions too. This agility has demonstrated how we can remain operationally resilient whilst maintaining a high quality client service and allows us to explore further options of implementing colleague and environmentally friendly work patterns.

Environment

100% 

of the general waste and mixed recycled packaging disposed of in our head office is recycled

100% 

we source 100% of our energy from renewable sources

22%

For the year ending 30 June 2021 our emissions per employee decreased by 22%

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

Colleagues are passionate about working together to "do it better" and our environmental, sustainability and climate change networking group, aims to educate and promote initiatives to reduce our carbon footprint through talks, events and written articles for staff. They have driven a number of recycling initiatives for waste reduction, climate-change awareness, plastic reduction and engaging with communities on sustainability-related issues through volunteering. The Group are currently working on initiatives to reduce our emissions footprint, promote sustainable commuting habits and procure ethical sourcing where practical.

Doing it better for the wider community

HL is part of a network of organisations that has pledged to work towards a sustainable city with a high quality of life for all, by signing up to the Bristol Green Capital Partnership. To support this, we source 100% of our electricity and energy from renewable sources. HL colleagues also have the opportunity to volunteer in projects which have a positive impact on the environment.

We've also linked up with TravelWest to support their Travel to Work Survey so we can feed into the city's transport plans.

As part of our 40th Birthday celebrations, we are leading an initiative to plant a tree per colleague in a woodland local to Bristol. We recognise how important biodiversity is for a healthy planet and are working with local organisations to conserve and maintain green spaces near to the office.

United Nations Sustainable Development Goals (UNSDGs)

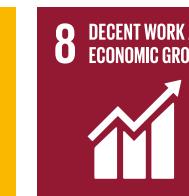
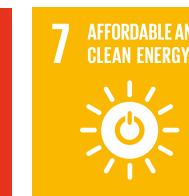
The UNSDGs provide a focus for how businesses, governments and civil society can tackle these challenges in order to promote a more sustainable future for all. They have helped to inform our thinking about where we can play a role and we contribute in different ways to 12 out of the 17 goals.

Why have we aligned ourselves to the Sustainable development goals?

- It's the right thing to do, both for our clients and our colleagues;
- It means our work in the community will have a greater impact; and
- We are a part of a network of companies working together to do better and share best practice.

Find out more about how we align to the UN Sustainability Development Goals on the CSR section of the HL website.

Hargreaves Lansdown contribute to the following United Nations Sustainable Development Goals



RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED



The Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) seeks to improve and increase the reporting of climate-related financial information.

Our first disclosure is a limited scope analysis of our HL plc UK operations. We plan to extend this operational boundary for our next disclosure.

Governance

Our Board of Directors oversee the long-term strategy. This includes ESG, climate change and sustainability.

They analyse progress with bi-annual board papers, regular focused presentations and deep-dive sessions.

We think it's best for the whole Board to take responsibility for this area, rather than allocating it to just one member. This encourages collaboration and strategic thinking. In turn this will help drive change, and a more sustainable future for our business and our clients. We ensure this responsibility is met through focused regular presentations and deep dive sessions on this increasingly important area.

Please see page 71 for a deeper understanding of the business' governance functions.

We've created a framework led by David James, the Executive Committee member responsible for the ESG strategy. Day to day activities are coordinated and driven through our ESG working group. This is made up of representatives across the three strategy areas. This means colleagues from across the business are working together to optimise climate-related opportunities and minimising risks.

The HL Environment, Sustainability and Climate Change Group is an employee-led network focusing on sustainability. The group works to help us understand, measure and reduce our direct and indirect environmental impact.

Strategy

We have undertaken a scenario analysis, looking at two scenarios for global warming, over two different timeframes. This helped to form the foundations of our climate change strategy that will ensure HL is a financially resilient business.

In our first scenario, climate action has been prioritised and emissions significantly reduced. As a result, global temperature increases have been limited to 2°C or less.

In the second, no climate action has been taken and global temperatures have risen by 4°C or more.

The timeframes considered were to 2030 and to 2050.

For our first TCFD disclosure we will be limiting our scope to five key risks, in line with TCFD recommendations.

1. Climate change and resource scarcity are linked. As a digital business, there's a risk the technology we use doesn't use scarce energy efficiently.
2. With the transition to a lower carbon economy, policies such as carbon-pricing mechanisms and taxes could pose a risk to our business.
3. These disruptive policies could influence financial markets. We have considered this market risk having policy and legal repercussions. In particular, the impact of a shift away from fossil fuel investment.

4. How we participate in the transition to a lower carbon economy could affect our reputation.

5. We have considered the chronic physical risks of coastal flooding from rising sea levels or riverine flooding risks, as well as temperature rise implications.

Predicting socioeconomic development is arguably more difficult than predicting the long-term physical impacts of climate change. To make sure our analysis was broad enough, we applied a range of existing models¹ to these five key risks. We also looked at third-party research, expert judgement and internal stakeholder focus groups.

Risks and opportunities

We undertook an internal risk assessment of our scenario analysis. It found the 2030 scenarios were low risk and 2050 scenarios were medium risk. The main risks were transitional, market, regulatory and reputational risk.

Whilst we recognise the significance of global warming, the analysis shows climate change doesn't pose an immediate risk to our business.

Opportunities include:

- Increasing availability of energy efficient technologies, for example, cloud hosted services could significantly reduce our carbon footprint.

¹ Examples of models used: WRI Aqueduct Floods; Climate Central Surging Seas; IAMC 1.5°C Scenario Explorer, IIASA; PRI IPR and IEA.

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

- The chance to enhance brand value through robust reporting. Authentic targets will attract and retain colleagues, clients and shareholders. And we know that transparency drives investor confidence.
- The Department for Business, Energy and Industrial Strategy¹ (BEIS) stated the UK low carbon economy could grow four times faster than the rest of the economy between 2015 and 2030. We can allow our clients to invest in this area, through creating a Responsible Investing hub.

We felt the 2°C and under 2050 scenario posed a medium risk. Limiting temperature increases over the next few decades will involve costs for businesses. These might act as a drag on share prices and could also impact economic growth compared to the business as usual scenario.

In the 4°C and above 2050 scenario, a significant increase in energy demand is expected as a result of rising water scarcity. We felt this was a medium risk. Due to the misalignment with the Paris Agreement, reactive policies and taxes could be implemented.

In addition, increased protests and climate outrage activism could be targeted at FTSE 100 companies.

An overarching risk across all scenarios is the reputational damage. This could result from poor climate risk management, misalignment with reporting and 'greenwashing'. We recognise the impact this could have on relations with all of our stakeholders.

Hitting our climate-related targets is the key to mitigating this risk. Our approach is to set short-term targets to make sure we are on track to meet long-term pledges. These will be reviewed by our Board and our ESG Committee.

We also need to consider demand for our services if we don't evolve to embrace ESG investing. Likewise, consideration must be given to the Group's growth rate and falling average age of HL's clients. The environment is the top concern² of millennials and Gen Z's. As the Group's youthful client base grows, we appreciate the importance of championing responsible climate action for all current and future stakeholders.

Risk Management

Climate-related risks are raised by the ESG Committee. Each team throughout the business is responsible for identifying risks and putting controls in place. The Management Committee and Product Governance Committee assess this framework, and we also use peer reviews to make sure we're considering external trends.

We're focused on strengthening our operational resilience, by integrating climate-related risks into our overall strategy. The bi-annual ESG board paper is one example of bringing these factors to the attention of the Board of Directors, incorporating the risks and opportunities with the Group's strategy.

CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURE

Governance

The Group's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning.

Risk management

The processes used by the Group to identify, assess and manage climate-related risks.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.



¹ PRI IPR and IEA HM Government 2017, "The Clean Growth Strategy".

² Deloitte 2020, "The Deloitte Global Millennial Survey 2020"

RESPONSIBLE BUSINESS TOWARDS HIGHER STANDARDS CONTINUED

Technology

The risk of energy scarcity is being managed through the transition to cloud hosted services, such as Amazon Web Services (AWS). Using the cloud means fewer servers are needed and less energy used.

We're also improving the energy efficiency of our operations through conscious switches, such as installing LED lighting in our offices.

Policy and legal

We scan the horizon for policy and legal risks associated with climate change. We screen regulatory press releases, consultations and publications to spot potential changes that could impact our operations. Through this process, risks are assessed in terms of impact.

Market

Disruptive policies and the subsequent shift away from fossil fuels poses a risk to client outcomes. We mitigate this risk by creating content that educates our clients on the importance of diversifying their investments. Diversification is a key part of building resilience into a portfolio and we offers clients the opportunity to save and invest in a large selection of asset.

Reputation

David James, Chief Marketing and Brand Officer, is the Executive Committee member managing the reputational risk of climate change. He's supported by our PR functions, the Corporate Affairs group and ESG Committee.

Physical

As part of our business continuity plans, we consider the effects of adverse weather. We have plans and playbooks for incidents such as flooding. These plans also include annual due-diligence on our suppliers, including climate-related risks.

In terms of flooding, Bristol City Council's flood zone planning encompasses our core Harbourside office. Insurance is also in place for further protection.

Temperature rise is mitigated through the installation of improved cooling systems that reduces the overheating of our core tech provisions.

You can find more information on our risk management and the principal risks and uncertainties on page 50.

Metrics & Targets

Targets are a means to ensure we are on track to meet our long-term goals. We continue to adjust our targets on an annual basis to keep the aims ambitious. We plan to set a science-based net zero target within the next year. HL commits to:

- Reduce our Scope 1 and 2 emissions by 15% (relative to baseline year FY18) each year in line with our carbon neutral commitment.
- Measure all Scope 3 emissions by 2023
- 20% reduction in tonnes of CO₂e per average full-time equivalent employee each year (relative to baseline year FY18).

- 100% of the general waste and mixed recycled packaging disposed of in our head office is recycled. We are working to expand this to include our food waste by 2022.

- Since 1 October 2013, the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has required all UK quoted companies to report on their greenhouse gas emissions as part of their annual Directors' Report. We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We also support the Carbon Disclosure Project by reporting our CO₂ emissions.

We do not have responsibility for any emission sources that are not included in our consolidated statement. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2018 emission factors provided by Defra. The Group's Scope 1 and 2 emissions for the year to 30 June 2021 are set out in the table below (as per 2020 ARA). Scope 1 emissions relate to the Group's fugitive emissions from the combustion of fuel and operating activities and Scope 2 emissions relate to the Group's electricity usage.

The table also shows the Group's energy usage arising from the gas and electricity purchased and used in operating its premises.

We are including our Scope 3 business travel and employee commuting emissions in this year's Report & Financial Statements, demonstrating our commitment to increased transparency and reporting. Our business travel emissions are grey fleet, air and train, collected from colleague expense claims. Employee commuting data is obtained through colleague survey responses complemented by average local government commuting data. Both data sets are converted in respect of official government emission conversion factors.

In order to provide an intensity ratio for our emissions disclosure, we have calculated our greenhouse emissions per employee.

The Directors believe that the number of employees is the best indicator for a Group of this size and nature for the purposes of this disclosure. The number of employees used is the average number of full-time equivalent employees over the measurement period. For the year ending 30 June 2021 our emissions per employee decreased by 22%.

RESPONSIBLE BUSINESS

TOWARDS HIGHER STANDARDS CONTINUED

Emissions from:	Tonnes of CO ₂ e		
	Current reporting year 2020-2021	Comparison year 2019-2020	Change
Scope 1 – Combustion of fuel and operations of facilities	975.5	1,001.7	-3%
Scope 2 - Purchased energy for own use	672.1 ¹	827.7	-19 %
Tonnes of CO ₂ e per average full-time equivalent employee	0.89	1.14	-22 %
Energy used (MW)	4,447 ²	4,985	-11%
Scope 3 – Business travel	0.63	Not available	
Scope 3 – Employee commuting	23.17	Not available	

1 The purchased energy for own use figure includes 30.8 tonnes of CO₂ emissions relating to our operations in Poland.
It is not feasible to split any other metrics by country.

2 The energy used figure includes 145 Mega Watts relating to our operations in Poland.
It is not feasible to split any other metrics by country.

Net zero

HL recognises the significance of net zero, transparent disclosures and authentic pledges to allow for a sustainable economy. We are proud to support the transition to carbon neutrality by committing to net zero and publishing our TCFD assessment of climate-related risks and opportunities. We recognise that the hard work starts here in evolving our business to embed climate-related risk management, continue to refine and expand our disclosures, and focus on reducing HL's environmental footprint.

We are committing to be carbon neutral across our Scope 1, 2 and Scope 3 business travel and employee commuting emissions by 2025. This pledge complements the City of Bristol's 2030 net zero target, allowing HL to champion our community's green growth. This will be met through a combination of internal reduction methods and a portfolio of carbon removal and reduction projects. We commit to be net zero across all of HL operations emissions (including Scope 3) by at least 2050, in accordance with the Paris Agreement.

NON FINANCIAL INFORMATION STATEMENT

CORPORATE RESPONSIBILITY

As a FTSE 100-listed business, we have an important responsibility to contribute to the communities around us and the wider economy.

We focus on driving high levels of corporate responsibility, governance and sustainability and look to engage with a wide range of stakeholders in order to help create value for all. This section of the Strategic Report constitutes the Group's Non-Financial Information Statement for the purposes of sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by reference.

Reporting requirement	Policies and standards which govern our approach	Where you can find out more
Environmental matters	Our Responsible Business Report sets out our approach and policy in respect of the environment, sustainability and climate change and provides examples of the action we are taking to promote energy efficiency and reduce waste. It also provides details of our energy consumption and greenhouse gas emissions within our first TCFD Report.	The environment, sustainability and climate change and Greenhouse gas emissions page 48.
Employees	Our people strategy aims to motivate and inspire colleagues to reach their full potential and our people policies are in place to attract and promote an inclusive, diverse and healthy workforce. Our report on Our People sets out our approach and the policies that support it. This includes how we aim to attract and retain outstanding people, our commitment to personal development of colleagues to expand our talent pipeline, and how we engage with colleagues and support their wellbeing. We are committed to building a diverse workforce at all levels and creating an inclusive culture for all. Our report on Our People sets out how we are doing this, and further information on our policies to promote diversity and inclusion can be found in the Nomination Committee Report.	Employees and COVID-19 Response pages 5 to 6 and 29. Nomination Committee Report page 116.
Social	Our Responsible Business Report provides details of our approach to supporting our community. There you can read more on our approach and the policies, schemes and initiatives that support it. You can also find information on how our tax strategy supports our role as a business responsibly operating in and contributing to society.	COVID-19 response pages, Community and Tax Strategy pages 6 to 7 and page 39.
Respect for human rights	We are committed to supporting the rights of individuals and our people policies promote and support the protection of the rights of our colleagues. We have a zero tolerance approach to slavery and human trafficking of any kind within our business operations and supply chain. You can read more on our approach and the policies in place to support it in Our People.	Employees and Human Rights page 35.
Anti-corruption and anti-bribery	We have a full suite of policies and procedures in place to guard against financial crime, including bribery and corruption, money laundering and terrorist financing, market abuse and fraud. You can read more about our approach and the policies in place to support it in Our People.	Anti-bribery and corruption page 35.

Additional information	Page
Description of principal risks and impact of business activity	Principal risks and uncertainties, conduct risk (client outcomes) and operational risk (financial crime) 50 to 58
Description of the business model	Business model 24 to 25
Non-financial key performance indicators	Strategy and KPIs 26 to 28

The Strategic report was approved by the Board of Directors and signed on its behalf by:

Chris Hill
Chief Executive Officer



RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS

1. Risk management

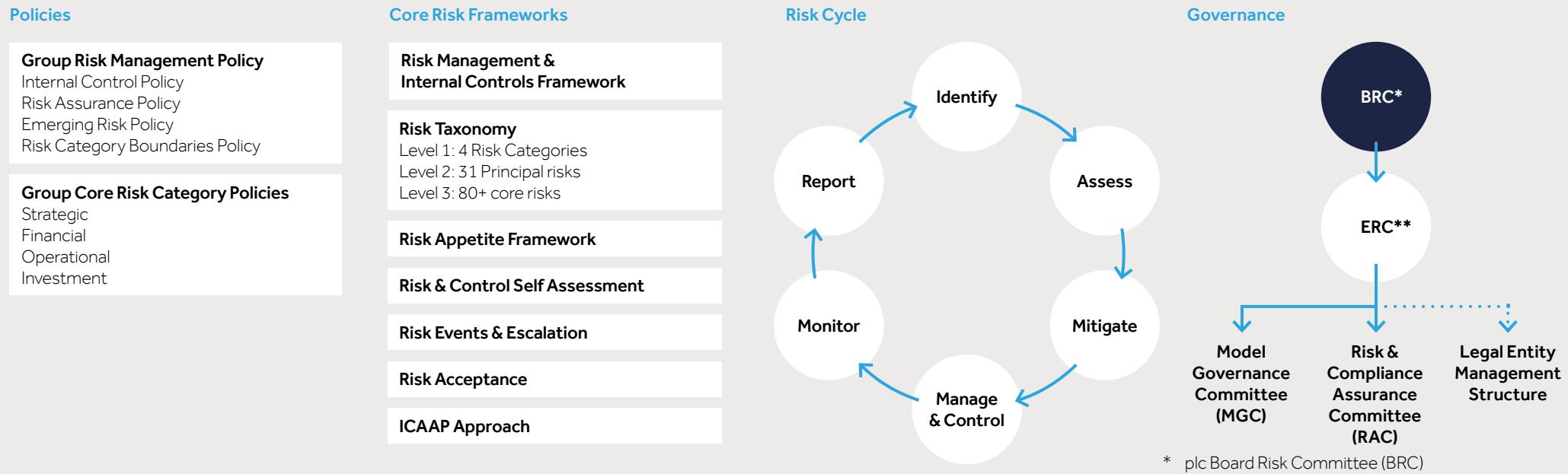
The Board has ultimate responsibility for the Group's risk management and determining an appropriate risk appetite as well as setting related tolerance levels within which the Group must operate.

To assist the Board in discharging its responsibilities, the Group has implemented a comprehensive approach to identifying,

mitigating, managing and monitoring risk which is described below. Hargreaves Lansdown manages risk at a consolidated level.

The Group includes four principal operating legal entities, each of which is supported by a Legal Entity Board and a Management Committee. This Legal entity structure manages the normal course of business, to agreed risk appetites, with escalation on an agreed materiality basis to the Group Executive Committee.

Fig 1 Our risk management framework and reporting schematic



* plc Board Risk Committee (BRCC)

** Executive Risk Committee (ERC)

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

The Group's Risk Management Framework is designed to manage risk within agreed appetite levels and is aligned to delivering the Group's strategy. It applies to all the Legal Entities. The framework has been in place throughout the period under review and up to the date of approval of the Report and Financial Statements and is in line with the UK Corporate Governance Code.

The Group regularly reviews and oversees the development of its risk management framework, tools and capabilities. Changes to the framework were initiated during the period, including the introduction of a further level to the Group Risk Taxonomy and Risk type oversight mechanisms as well as planned enhancements to risk strategy and risk appetite frameworks.

The Group aims for effective and proactive risk management integrated into the culture of the Group as demonstrated by the Hargreaves Lansdown 'values' and our commitment to ensuring positive client outcomes.

Governance of the risk and control framework

Risk management is acknowledged to be a core responsibility of all colleagues at Hargreaves Lansdown.

The oversight of risk and controls management is provided by Board committees and the Group Risk and Compliance functions.

During the period the Board has overseen an upgrading of the governance, systems and controls, skills and capabilities and risk management practices across the Group, delivered through a formal project. Enhancements will continue to be delivered during 2021/22.

A risk policy suite is in place, with policies reviewed on an annual basis.

Key governance committees relating specifically to the maintenance and oversight of the risk and control environment include the plc Board, the Board Risk Committee, Executive Committee and the Executive Risk Committee.

The plc Board is responsible for overseeing the Audit, Risk, Remuneration and Nomination Committees.

During the period, the governance structure has evolved reflecting the continued growth of the business. Detail of the governance structure is included in the Corporate Governance section of the report.

The activities of the Board and Executive Committees are detailed in the Corporate Governance report, page 71 to 80.

Risk materials are assessed on a regular and rolling basis by the Board and Executive Management, with support from second line functions. Assessments are based on consideration of risk events, changes to processes and controls, assurance work, business data, market activity and the regulatory environment.

Risk Taxonomy

The Group has an agreed and documented risk taxonomy, which sets out the high-level risk categories to which the business is exposed. The control environment is aligned to Level 3 of the taxonomy (see figure 1).

The broader risk management framework is aligned to this taxonomy which is reviewed regularly and forms part of the oversight of the PLC Board.

The risk taxonomy ensures that there is completeness in the capture of risks, facilitating effective aggregation of risk across the broader group as well as ensuring that there is consistency of treatment across all risk categories.

Risk appetite

The Group's risk appetite is an articulation of the nature and type of risks that the Group is willing to accept, or wants to avoid, in order to achieve its business objectives and strategy.

Figure 2: Risk appetite



RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

The risk appetite statements combine qualitative statements and quantitative measures, or thresholds expressed relative to metrics such as operational performance, capital and liquidity.

The Group's risk appetite and its components are reviewed on at least an annual basis.

The Board has overall responsibility for determining the nature and extent of the acceptable levels of risk it is willing to accept in the course of achieving business objectives and strategy, achieving positive client outcomes and ensuring that risks are managed effectively across the Group.

Risk reporting

Risk is formally reported to several Committees by both the First and Second Lines of Defence.

The First Line of Defence report to operational committees, including the Legal Entity Management Committees and the Executive Committee. Reporting is driven by Risk exposure, Risk Events, remediation activities and material or potentially material changes to risk exposures.

The Second Line of Defence provides risk and control reporting to plc committees, Legal Entity Boards and Executive committees. The standard

format is a CRO Report covering trends, the Principal Risk profile, risk appetite, material risk events and emerging risks.

The First Line of Defence owns and is responsible for managing risk. There are also teams with areas of specific focus to support the maintenance of a strong control framework. Key examples of first line control functions include:

- CASS Oversight team – provides guidance to operational teams on CASS and provides oversight of the CASS control environment;
- Operations Oversight team – provides risk and control support to Operations, creates MI for the Operations Management Team and manages the Operations process framework;
- A dedicated IT Security team, which manages, tests and controls the cyber control environment, and

Viability statement

The Board has considered the principal risks, in arriving at the viability statement below

The principal risks and uncertainties faced by the Group are detailed below. The principal risks are categorised into strategic, operational, financial and investment in accordance with our risk management framework.

Management and the Board regularly discuss emerging risks. Topics discussed during the period included communications from the regulator, potential litigation, third party services and solutions, operational resiliency, cyber crime and the COVID-19 pandemic.

Assessment process for the viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over

the three-year period to June 2024 and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities up to this date. The Directors' assessment has been made with reference to the Group's current position and strategy, the Board's risk appetite, the Group's financial forecasts and the Group's principal risks and uncertainties.

The Directors' assessment has also been made after careful consideration of the impact that the COVID-19 pandemic has had, and continues to have, on the UK and global economy. It also pays attention to UK and global economic forecasts which mostly anticipate a return to normal by 2023. Planning and scenario testing has examined the Company's resilience to worst case scenarios not only resulting from the impact of the pandemic but also the impact

that sustained low interest rates would have on revenue potential. There was a range of testing results over three potential future outcomes, each of which looked at a different pinch point such as interest rates, market levels and stockbroking volumes. The worst outcome saw a 39% fall in the Group's profit before tax over the three-year period to June 2024. The Directors conclude that their expectation of the Group's viability does not change as a result of this.

The Board considers that a time horizon of three years is an appropriate period over which to assess its viability and prospects, and to plan the execution of its strategy. This assessment period is consistent with the Group's current strategic forecast and ICAAP and it also matches the timescale over which most changes to major regulations and the external

landscape that affect our business typically take place. The Board has informally considered the viability of the business beyond the assessment period and believe that the requirement for clients, current and future, to have access to a secure and efficient savings and investment platform will continue to increase.

The strategic forecast is approved annually by the Board and regularly updated as appropriate. It considers the Group's profitability, cash flows, dividend payments, capital requirements and other key variables such as exposure to principal risks. It is also subjected to stress tests and scenario analysis, such as fluctuations in markets, increased competition and disruption to business, to ensure the business has sufficient flexibility to withstand these impacts by making adjustments to its plans within the normal course of business.

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

- A Product Governance team – provides oversight of the design, target markets and management of our core client propositions

In the Second Line of Defence, the Group Risk and Compliance functions includes teams focused on prevention of money laundering, prevention and detection of fraud and data protection, Operational and Investment risk oversight teams.

Individual Capital Adequacy Assessment Process

The primary purpose of the ICAAP is to ensure that there is a clear, accurate and transparent link between the risk profile of the business and the capital held by the firm. The ICAAP is overseen by the Board Risk Committee, with facilitation provided by the Risk function.

The Group has an established governance framework that ensures all inputs, decisions, assumptions, limitations and outputs are reviewed, challenged and approved by key governance forums including Executive and Board Risk Committees. The Group's annual ICAAP report is reviewed and approved by the Board. The Group's ICAAP approach is designed to be appropriate given the scale, nature and complexity of its business model.

There is an established Model Governance Committee (MGC) that provides oversight to the application of a statistical modelling approach when assessing the Group's Pillar II Operational Risk capital. External validation of the approach has been commissioned through a third party to further support.

Response to the COVID-19 pandemic

In March 2020, the Executive Committee established formal governance to manage the response to the COVID-19 pandemic. The Crisis Management Committee (CMC) included membership from the Executive Committee and the wider Leadership Group, including the Chief Internal Auditor and the CRO. The response had three primary objectives:

- Delivering good client outcomes;
- Maintaining our core services and a robust control environment; and
- Safeguarding colleague wellbeing.

The oversight of the Group's COVID-19 response is managed by the HLAM Management Committee. In managing the response, the Principal Risk materials and departmental risk registers were monitored and updated. Decisions were taken by the CMC, the HLAM Management Committee or escalated to the Executive Committee on a materiality basis.

2. Principal risks and uncertainties

The Board has carried out a robust assessment of the emerging risks and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

In making its assessment, the Board considered the likelihood of each risk materialising in the short and longer term. The Board considered the principal risks in arriving at its viability statement.

The principal risks and uncertainties faced by the Group are detailed below. The principal risks are categorised in line with the risk management framework; strategic, operational, financial and investment risks.

Principal risks reported here are those attracting the greatest focus, and to which the organisation has the largest exposure. The principal risks are linked to risk appetite and KRI measures for reporting

In assessing the 2020/21 changes, consideration was given to the impact of COVID-19 on the Group's inherent risks after considering mitigating actions and controls. COVID-19 is considered to be the primary cause for the increasing risk profile.

As a result of this, an increasing likelihood has been reported against the performance of markets, people and financial crime principal risks. Operational delivery was considered to be stable after assessing the performance of existing, additional and ongoing revisions to processes and controls.

Regulatory and Legal Compliance risk is recognised as increasing reflecting the pressure on the organisation of COVID-19, increasing client activity as well as increasing regulatory demands.

Management and the Board regularly discuss emerging risks. Key areas discussed during the period included communications from the regulator, potential litigation, third party services and solutions, operational resiliency, cyber crime and the COVID-19 pandemic as well as the operational requirements deemed appropriate by the Board to meet the growing demands of key stakeholders including clients, investors and the regulator.

In assessing all risks HL considers the reputational impacts of risks materialising and the impacts of negative publicity, public perception on HL's reputation and the achievement of strategic objectives. To mitigate these potential impacts HL has a PR function, makes use of external advisers and has an Internal Corporate Affairs Group to support the Executive Committee.

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

-  Excellent client service
-  Client proposition and engagement

Taxonomy Level 1 Strategic

Owner:
Chief Executive Officer

Link to strategy:



Link to HL values:
Put the client first, do the right thing, make it easy

2020-2021 Change
STABLE 

Risk
Risk that HL does not align propositions and activity with HL's strategic objectives.

Potential impact

- Erosion of shareholder value
- Negative impact on achievement of AUA and client number strategic targets
- Negative impact on our reputation as an innovative market leader

Taxonomy Level 2 Ineffective business strategy

Mitigation and controls

- The Executive team and Board review strategy
- Dedicated proposition/client experience team is in place
- Testing of propositions with clients and potential clients
- Product governance process
- Regular client experience reviews by the Executive
- An Operational Plan is in place prioritising development

Key risk indicators

- NNB v forecast
- Net Ease Scores
- Client retention
- Service rating
- Complaints
- Risk events

2020/21 activity

- Launched additional Segregated Mandates in HL Fund Managers
- Launched Active Savings Cash ISA
- Investment Pathways
- Faster Payments
- ESG review resulted in the addition of two new responsible investment fund options to the Wealth Shortlist

Taxonomy Level 1 Strategic

Owner:
Chief Financial Officer

Link to strategy:



Link to HL values:
N/A

2020-2021 Change
INCREASING 

Risk
Risk that HL revenue is adversely affected by market levels impacting strategic expectations, resulting in erosion of shareholder value.

Potential impact

- Reduced AUA and AUM
- Negative impact on HL revenue

Taxonomy Level 2 Market dynamics/landscape

Mitigation and controls

- Diversified revenue streams
- The Group's business model comprises both recurring platform revenue and transaction-based revenue
- Monitoring of client service, satisfaction data
- Executive Committee, Treasury Committee and Finance Reporting
- Liquidity policy and associated controls oversight

Key risk indicators

- Interest rates
- FTSE 100
- Business Management Information (incl. service performance, productivity & trading volumes)
- Client metrics (Net, new and retention)

2020/21 activity

- Marketing Campaigns
- Prioritisation for internal investment on service, technology and risk
- Ongoing discussion in the Executive Committee
- Surge in share dealing volumes at times of market volatility
- Significant rise in markets post Vaccine Monday
- Drop in net interest income following interest rate reductions and yield curve decline

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer¹

Link to strategy:



Link to HL values:
Do the right thing, make it easy

2020-2021 Change

INCREASING ▲

Taxonomy Level 2 IT Operational Environment

Risk

Risk that HL fails to manage and maintain existing technological architecture, environment or components effectively that are key to operational delivery.

Potential impact

- Inability to maintain operational efficiency
- Increased costs
- Poor client outcomes
- Reputational damage

Mitigation and controls

- IT Architecture plan
- Rolling internal and external monitoring of IT environment
- Operational Plan, including prioritisation of IT development
- Identification of contingency providers for technology

Key risk indicators

- Unplanned downtime of client facing applications
- Status of critical projects
- Core system monitoring
- System patching status
- Technology risk events

2020/21 activity

- Continued development and evolution of our core architecture and the overseas dealing functionality
- Platform security improvements
- Enhanced monitoring of technology environments
- Further technology risk oversight developed
- Refresh of technology strategy

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer, Chief Financial Officer

Link to strategy:



Link to HL values:
Put the client first, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Taxonomy Level 2 Operational delivery core

Risk

Risk that HL fails to design or implement appropriate policies, processes or technology.

Potential impact

- Incorrect or inefficient delivery of activities
- Regulatory or policy breaches
- Poor client outcomes
- Financial losses including compensation
- Reputational damage

Mitigation and controls

- Group Risk Management Framework
- Ongoing First Line of Defence monitoring of controls, control testing and self- assessment
- Process manuals and process mapping
- Training and development
- Operational MI
- Control focus at key governance forums, including: CASS Committee, Executive Risk Committee and Board Risk Committee

Key risk indicators

- Risk events and Compliance breach monitoring
- Regulatory scrutiny or issues
- Third party breaches
- Complaints referred to and upheld by FOS
- Service level monitoring
- Helpdesk call quality
- Employee retention rates
- Operational processing transaction errors

2020/21 activity

- Process improvements across operational functions
- IT solutions to reduce dependency on paper and increase efficiency of AML processes
- Increased automation linked to drawdown calculations
- Improved payments solution
- Improved workforce planning

¹ Chief Executive Officer is the temporary owner whilst a new Chief Information Officer is appointed

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

Taxonomy Level 1 Operational

Owner:
Client Director, Chief Financial Officer,

Link to strategy:



Link to HL values:
Put the client first, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Risk
Risk that required regulatory change is not implemented to regulatory expectations or requirements and/or existing regulatory requirements are not met.

Potential impact

- Regulatory breaches
- Increased regulatory scrutiny, enforcement action, censure or fines
- FOS complaints and awards
- Litigation
- Reputational impact
- Missed opportunities to achieve competitive advantage

Taxonomy Level 2 Regulatory and Legal Compliance

Mitigation and controls

- Compliance-led Horizon scanning and monitoring
- Change Committee oversight
- Compliance Plan
- Internal Audit assurance
- Ongoing open dialogue with the FCA

Key risk indicators

- Volume of new outputs from regulatory bodies
- Number of regulatory change projects
- Number of regulatory breaches

2020/21 activity

- CASS Improvement Plan
- Restructure of Compliance function
- Prioritisation of Change Portfolio
- Build out of 2LoD capabilities
- Strengthened Governance Framework

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer, Client Director, Chief Financial Officer, Group Chief Risk Officer

Link to strategy:



Link to HL values:
Put the client first, go the extra mile, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Risk
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to counter HL being used to further financial crime by either internal or external parties.

Potential impact

- Loss of sensitive data
- Poor client outcomes (including fraud)
- Negative impact on confidence in HL
- Diminish the integrity of the financial system
- Regulatory censure

Taxonomy Level 2 Financial Crime

Mitigation and controls

- Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment and remediation of information security threats
- Dedicated Information Security, Anti Money Laundering and Client Protection teams in place
- Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place
- Horizon scanning of peer group to understand industry trends

Key risk indicators

- Fraud monitoring
- Cyber threat assessment
- Time taken to address security vulnerabilities
- Number of Information Commissioner's Office (ICO) notifiable data protection breaches

2020/21 activity

- A programme of training and awareness for all employees
- Continuous cycle of cyber control improvements
- Improvements to fraud monitoring
- Phase 1 implementation of a third-party fraud monitoring tool
- Programme of Market abuse and Client Protection risk reviews

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer¹

Link to strategy:



Link to HL values:
Put the client first, go the extra mile, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Taxonomy Level 2 Data

Risk
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to manage data and data storage.

Mitigation and controls

- Dedicated Chief Information Security Officer and Data Protection Officer
- Data Governance function
- Data storage standards
- Data usage standards

Potential impact

- Loss of sensitive data
- Poor client outcomes (including fraud)
- Inefficient processing
- Regulatory censure

Key risk indicators

- Data related Risk Events
- Data reporting issues
- Data Privacy Impact Assessment completions
- Cyber events
- Fraud events

2020/21 activity

- Increase in data governance specialists
- Creation of Data Governance Forum
- Updated Data Strategy

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer, Client Director, Chief Financial Officer

Link to strategy:



Link to HL values:
Put the client first, go the extra mile, do the right thing, make it easy, do it better

2020-2021 Change

STABLE ▶

Taxonomy Level 2 Duties to Clients

Risk
Risk that HL's culture and the HL values fail to support and appropriate client focused conduct by all colleagues, leading to poor client outcomes.

Mitigation and controls

- Employee Communication and Training
- Conduct and Risk policies
- Risk and incident monitoring and review
- Product Governance Committee
- Corporate and social responsibility programme
- Business-led diversity, inclusion and wellbeing programme of activity
- Colleague Performance Development model
- Whistleblowing process

Potential impact

- Poor client outcomes
- Negative reputational impact
- Regulatory censure
- Erosion of shareholder value
- Negative impact on achievement of AUA and client number strategic targets

Key risk indicators

- Glassdoor rating
- Employee surveys
- Client survey results
- Colleague retention
- Complaints
- Clients cancelling a new product or service

2020/21 activity

- CEO Communications and client strategy
- Improvements to Product Governance agenda
- Improvements to core conduct related process and training, i.e. whistleblowing and the SMCR regime conduct breach process
- HL Way used to reinforce HL 'values'

¹ Chief Executive Officer is the temporary owner whilst a new Chief Information Officer is appointed

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS CONTINUED

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer, Chief Financial Officer

Link to strategy:



Link to HL values:
Put the client first, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Taxonomy Level 2 Operational Resilience

Mitigation and controls

- Group wide project
- Business Impact Analysis
- Business Continuity Plans
- Disaster Recovery Plans
- Crisis Management Team
- Desktop scenarios
- Scenario based playbooks

Key risk indicators

- System downtime
- Process failures
- Crisis management response

2020/21 activity

- Recruitment of additional skilled SMEs
- Further development of playbooks
- Review and enhancements to crisis management and Incident management approaches
- Regular training
- Establishing a programme to deliver the regulatory requirements
- Responding to the impacts of COVID-19

Taxonomy Level 1 Operational

Owner:
Chief Executive Officer¹

Link to strategy:



Link to HL values:
Put the client first, do the right thing, make it easy, do it better

2020-2021 Change

INCREASING ▲

Taxonomy Level 2 People

Mitigation and controls

- Operational inefficiency or poor conduct
- Poor client outcomes
- Reputational damage

Key risk indicators

- Employee retention rates
- Employee absence monitoring

2020/21 activity

- Updated contingency planning for key roles
- Implementation of new internal communication plan
- Leadership Development programme for all Senior leaders
- People communications through the HL Way to support HL Value
- Responding to the impacts of COVID-19 on our colleagues

¹ Chief Executive Officer is the temporary owner whilst a new Chief People Officer is appointed

OPERATING AND FINANCIAL REVIEW

STRONG TRADING THROUGH COVID-19

Capturing the short-term opportunities whilst investing to thrive at the scale of our long-term potential.

Assets Under Administration (AUA) and Net New Business (NNB)

	Year ended 30 June 2021 £bn	Year ended 30 June 2020 £bn
Opening AUA	104.0	99.3
Underlying NNB	8.7	7.7
Market movement and other	22.8	(3.0)
Closing AUA	135.5	104.0

Hargreaves Lansdown provides the leading direct wealth management service in the UK. The strength of our brand and diversified offering, by asset class and wrapper, the quality of our client engagement and service, and the strength of our marketing capabilities has enabled us to deliver record net new client and net new business growth in the period. These are unprecedented times, but the Group has performed exceptionally through them. The additional scale we have gained across the financial year and our relentless focus on client service positions us well for the structural growth opportunity in the UK savings and investments market.

Net new business for the year totalled £8.7 billion (2020: £7.7bn) driven by increased client numbers, continued wealth consolidation onto our platform and strong trading through the COVID-19 period. Throughout the year we have been focused on colleague welfare and have remained open for business. As seen in the initial months of COVID-19 we have continued to see strong growth in net new clients, particularly amongst a younger demographic who were particularly engaged with share dealing.

Our market share of the UK execution only market for share dealing continued to grow, hitting a new high of 43.3% (as measured by Compeer's XO Quarterly Benchmarking Report Q1 2021).

During the year to 30 June 2021, we introduced 233,000 net new clients (2020: 188,000 or 170,000 excluding direct book acquisitions) to our services and grew our active client base by 17% to 1,645,000. The average age of new clients is consistent with recent periods, albeit greater in scale, and they are behaving similarly to recent equivalent cohorts in terms of growing their AUA on the platform over time, diversifying their portfolios and using the tax wrapped accounts. We are encouraged by the qualitative aspects of these clients and the additional lifetime value they have brought to the Group as a result.

This increased client population underpins future growth as clients add new money to their accounts, particularly through the use of annual tax free allowances in the SIPP and ISA products. Over a period of time, clients also typically consolidate their investments through transfers onto our platform. This growth is supported by our continued high retention rates.

Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 92.1% and 91.4% respectively (2020: 92.8% and 92.1%). The client retention rate is quoted on our historic measure where we define active clients as those with over £100 on the platform. We note that other providers quote this measure with active clients defined as those with over 1 pence on their platform. For comparative purposes, the HL client retention rate on this basis would have been 94.8% (2020: 95.7%, 2019: 96.1%, 2018: 95.8%).



“
These are unprecedented times but the Group has performed exceptionally through them.

OPERATING AND FINANCIAL REVIEW

CONTINUED

Our increased focus on digital marketing has been key in winning new, and engaging with existing clients, ensuring we become integral to their lives in terms of saving and investing for the future.

Total AUA increased by 30% to £135.5 billion as at 30 June 2021 (£104.0bn as at 30 June 2020). This was driven by £8.7 billion of NNB plus positive market movement of £22.8 billion.

Financial performance

Income statement

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Revenue	631.0	550.9
Operating costs	(266.0)	(214.9)
Fair value gains on derivatives	0.6	1.7
Finance income	1.4	2.8
Finance costs	(1.0)	(1.0)
Underlying profit before tax*	366.0	339.5
Gain on disposal (see Note 4.1)	-	38.8
Profit before tax	366.0	378.3
Tax	(69.7)	(65.1)
Profit after tax	296.3	313.2

Underlying profit before tax, excluding the one-off gain from the sale of FundsLibrary in 2020, rose 8% to £366.0 million. This increase was driven by revenue growth linked to the increase in AUA on our platform through NNB and market growth along with record share dealing volumes across the year. Including the £38.8 million gain on disposal in the 2020 result, profit before tax fell 3%.

Revenue

Revenue for the year was £631.0 million, up 15% (2020: £550.9m), driven by higher average asset levels and record share dealing volumes for the year. This increase compares to a decrease in the average FTSE All Share of 2.4%, showing the strength of the Group's net new business performance over the past year and diversified revenue stream.

This more than offset a fall in interest on client money as the net interest margin was impacted by the emergency cuts in the base rate of interest in March 2020. In addition, we no longer have the revenue derived from our FundsLibrary business, which was £4.8 million in the prior period, as it was sold in February 2020.

The table below breaks down revenue, average AUA and margins earned across the main asset classes which our clients hold with us.

	Year ended 30 June 2021			Year ended 30 June 2020		
	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps
Funds ¹	232.9	58.5⁷	40	210.6	52.3 ⁷	40
Shares ²	258.0	45.1	57	148.5	34.3	43
Cash ³	50.7	13.0	39	91.1	12.3	74
HL Funds ⁴	60.7	8.4⁷	72	63.6	8.7 ⁷	73
Other ⁵	28.7	2.8⁶	-	37.1	1.7 ⁶	-
Double-count ⁷	-	(8.3) ⁷	-	-	(8.6) ⁷	-
Total	631.0	119.5⁷	-	550.9	100.6 ⁷	-

1 Platform fees and renewal commission.

2 Stockbroking commission and equity holding charges.

3 Net interest earned on client money.

4 Annual management charge on HL Funds, i.e. excluding the platform fee, which is included in revenue on funds.

5 Advisory fees, FundsLibrary revenues, Active Savings and ancillary services (e.g. annuity broking, distribution of VCTs and Hargreaves Lansdown Currency and Market Services).

6 Average cash held via Active Savings.

7 HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

Revenue on Funds increased by 11% to £232.9 million (2020: £210.6m) due to higher AUA from a combination of net new business and market growth. Funds remain our largest client asset class at 49% of average AUA (2020: 52%), and the revenue margin earned on these this year was in line with our expectations at 40bps (2020: 40bps). The majority of the drop in the proportion of average AUA was due to a switch from Funds to Cash in the early stages of the pandemic, in common with the wider asset management market. Through the course of 2021, however, we have seen consistent volumes of Fund purchases especially after Vaccine Monday.

Since the completion of RDR in 2014 revenue margin on funds have broadly been stable. In May 2021 however, we implemented a reduction in platform administration fees for our advised Portfolio Management Service clients and looking forward we now expect the funds revenue margin to be slightly lower in the range of 38.5bps to 39.5bps. Funds AUA at the end of 2021 was £66.6 billion (2020: £51.7bn).

* Definition is shown in the Glossary of alternative financial performance measures on page 182.

OPERATING AND FINANCIAL REVIEW

CONTINUED

Revenue on Shares increased by 74% to £258.0 million (2020: £148.5m) and the revenue margin was 57bps (2020: 43bps), towards the upper end of our expected range of 45bps to 60 bps given at the Interim results announcement on 1 February 2021. This margin is primarily a result of the ratio of dealing volumes to average AUA, and in the year deal volumes have grown 54% whereas the average Shares AUA has grown by 31%. Hargreaves Lansdown is the leading retail stockbroking business in the UK, with a 43.3% share (source: Compeer Limited XO Quarterly Benchmarking Report Q1 2021). This has enabled us to benefit from the growth in share trading across the industry in the past 18 months, amongst both new and existing clients. This trend goes back to December 2019 post the General Election result and which picked up further in light of the COVID-19 pandemic and the associated market falls and lockdown periods. Total client driven deal volumes increased 60% to 13.1 million (2020: 8.2m). Within this increase overseas deal volumes were up 181%. Although overseas deals bring greater revenues they also incur greater dealing costs for us.

Whether such elevated dealing volumes continue now lockdowns have been lifted and life returns more to normal is difficult to say. Our focus, however, on engaging with clients, helping to build their financial knowledge and confidence, the breadth of shares available and the ease to invest via our platform may well see a higher base level of dealing volumes than pre COVID-19. Our guidance for the new financial year is 35bps to 45bps. Shares AUA at the end of 2021 was £53.1 billion (2020: £36.4bn).

Revenue on Cash decreased by 44% to £50.7 million (2020: £91.1m) as higher average cash levels were more than offset with a decrease in the net interest margin to 39bps (2020: 74bps). This is in line with our communicated expectations of between 34bps and 40bps given at the interim results announcement on 1 February 2021. Net interest margin has been impacted by the emergency base rate cuts in March 2020 from 0.75% to an all-time low of 0.10%. Term rates offered by the banks initially held up well but fell dramatically a few months later. With the majority of clients' SIPP money placed on rolling 13 month term deposits, and non-SIPP

money on terms of up to 95 days, the full impact of the rate fall takes over a year to flow through and hence there will be further impact into the current financial year ending 30 June 2022.

Assuming there are no further base rate changes, our guidance for this year is 15bps to 20bps. Cash AUA at the end of 2021 was £12.6 billion (2020: £13.6bn).

HL Funds consist of 10 Multi-Manager funds, on which the average management fee until 28 June 2021 has been 75bps per annum, and three Select equity funds, on which the management fee is 60bps. Revenue from these funds has fallen by 5% this year to £60.7 million (2020: £63.6m) due to a lower average value of the funds across the year. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 72bps (2020: 73bps).

Although we have seen modest net outflows, as we have not actively marketed the Multi-Manager funds whilst the Woodford Equity Income Fund has been suspended, they have been outweighed by market growth such that HL Funds AUM at the end of 2021 was £9.0 billion (2020: £8.0bn). On the main execution only part of our business we saw net inflows for the last 8 months of the year, which coincides with improvements in the funds performances.

In January 2021 we issued the annual Value for Money report on our own fund range. In the report we announced the decision to lower the annual management charge on some of our Multi-Manager funds and introduce further price reductions linked to economies of scale. These price changes took effect from 28 June 2021 and hence had no real impact on the reported revenue this year. The 2022 financial year, however, will see the full annualised impact, which based on the fund values at the time of the price cuts will result in a loss of revenue of c.£3.6 million.

The margin for 2022 is therefore expected to be in the range of 66bps to 70bps. Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £119.5 billion (2020: £100.6bn) excludes HL Funds AUM to avoid double-counting.

Other revenues are made up of advisory fees, Active Savings and ancillary services such as annuity broking, distribution of Venture Capital Trusts and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and not impacted by market growth.

They declined by 23% in the year mainly because of the disposal of FundsLibrary Limited, our data services provider, which made up £4.8 million of the revenue in the comparative year. In addition, advice fees were lower as COVID-19 made it more difficult to engage with existing and prospective new clients.

Assets held within Active Savings on the platform continue to grow and are shown in the previous table as "Other". The related revenue is not yet material so has been included with various other revenue streams in the same table. As highlighted previously, we believe it is strategically imperative to capture the scale advantage of being a first mover. Consequently, our focus remains on growing AUA at present. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract new clients and assets into the service that we need to capitalise on the opportunity.

In November 2020 we soft launched our Cash ISA offering with a controlled roll-out to our existing Active Savings clients before marketing it more widely. In the next year we will add the ability for clients to transfer existing Cash ISAs that they hold elsewhere into Active Savings, which provides a significant opportunity given that UK Cash ISAs total approximately £313 billion. Although Active Savings continues to grow in terms of assets and clients the interest rates on offer, although highly competitive, are not particularly conducive to marketing and significant growth. We continue to see it as part of our core offering and when interest rates eventually start to increase we would expect to see improved growth. As at the end of 2021, Active Savings AUA was £3.1 billion (2020 £2.2bn).

OPERATING AND FINANCIAL REVIEW

CONTINUED

Revenues

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Ongoing revenue*	390.5	404.3
Transactional revenue*	240.5	140.1
Other revenue	-	6.5
Total revenue	631.0	550.9

The Group has a business model which prospers by offering clients a range of attractive asset classes in a range of market environments and as such benefits from a diversified revenue stream. The Group's revenues are largely ongoing in nature, as shown in the table above. The proportion of ongoing revenue has decreased to 62% (2020: 73%) as the transactional stockbroking commission increased significantly versus last year, whilst at the same time the March 2020 reduction in the base rate of interest impacted ongoing revenue streams.

Ongoing revenue is primarily comprised of platform fees on funds and equities, Hargreaves Lansdown fund management fees, interest on client money and ongoing advisory fees. It fell by 3% to £390.5 million (2020: £404.3m) driven by lower interest rates earned on client money, which more than offset the higher platform fees and management fees from higher average AUA levels. Ongoing revenues provide greater profit resilience and hence we believe they are of higher quality than transactional revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This increased by 72% to £240.5 million (2020: £140.1m) with a 60% increase in client driven equity deal volumes being the key factor.

Other revenue is derived from the provision of funds data services and research to external parties through FundsLibrary, however, this business was sold on 28 February 2020 and hence there is no revenue for this year.

Operating costs

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Staff costs	119.8	101.2
Marketing and distribution costs	28.3	23.9
Depreciation and amortisation	16.2	13.1
Activity costs*	35.6	18.4
Third party data and technology costs*	22.8	14.8
Other costs	29.4	29.8
	252.1	201.2
Total FSCS levy	13.9	13.7
Total operating costs	266.0	214.9

Operating costs increased by 24% to £266.0 million (2020: £214.9m) to support significantly higher client activity levels, maintain client service and invest in the growth opportunities we see ahead for Hargreaves Lansdown.

Over the past four years we have deliberately invested into our service, marketing capabilities, technology, scalability and efficiency as the Group's focus on client service is core to our success and necessary to capture the structural growth opportunity in the UK savings and investments market. This investment has been validated in 2021 by record NNB, record levels of net new clients, increased market shares, attractive client retention rates, the continued development of our product set and growth capabilities and the resilience of our platform through COVID-19.

Key drivers of the cost growth were staff costs in order to deal with higher client numbers and activity levels and various activity based costs.

Our guidance on costs was that they would grow broadly in line with the growth in client numbers. Cost growth in 2021 was marginally ahead of the 17% growth in clients due to the unusual marketing

opportunity to acquire new clients and exceptional dealing volume costs. Our guidance remains cost growth aligned with client growth, mindful of our opportunities and market conditions at the time. We believe this will allow us to manage our business as its scale increases whilst investing in our offering to capture the significant market opportunity available to us.

Staff costs remain our largest expense and rose by 18% to £119.8 million (2020: £101.2m). Average staff numbers increased by 11% from 1,599 in 2020 to 1,776 in 2021 with the key increases being within the service functions of the Helpdesk and in Operations, driven by the need to support our increased levels of client activity and contact whilst working in a COVID-19 configuration.

Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will continue to require investment in our servicing functions as we look forward. Technology and efficiency programmes improve our scalability, thereby allowing us to invest productivity gains into extending our proposition and our platform functionality. We believe this reinvestment cycle underpins our future growth.

Marketing and distribution costs increased by 18% to £28.3 million (2020: £23.9m). The impact of COVID-19 and the associated lockdowns has seen a significant rise among existing retail investors engaging with investments and assessing their own financial resilience. In addition, many people, particularly younger ones, have turned to investing for the first time and those with cash savings have been transferring to investments given the all-time low deposit rates available on cash.

This provided us with a great opportunity to invest in client acquisition and to engage with both new and existing clients in order to deepen those relationships. This favourable backdrop for marketing spend extended into the all-important tax year end period where the UK tends to see significant activity amongst retail

* Definitions are shown in the Glossary of alternative financial performance measures on page 182.

OPERATING AND FINANCIAL REVIEW

CONTINUED

investors. In addition, February saw the launch of our second brand marketing campaign. Building on the success of last year's initial launch, we evolved the "Switch your money on" campaign aiming particularly at the ISA market along with the benefits of long-term investing and overall brand awareness. The increased spend together with our digital marketing expertise, resulted in a record 233,000 net new clients and £8.7 billion of NNB for the year.

At current revenue margins and activity levels, the £8.7 billion of NNB delivered by the marketing spend will generate c.£44 million of future annual revenues.

Depreciation and amortisation costs increased by £3.1 million to £16.2 million (2020: £13.1m). This was a result of higher capital spend in recent years, primarily on core in-house IT systems, hardware and software for increased employee numbers and the Active Savings platform.

Total capitalised expenditure was £17.8 million this year (2020: £15.9m). This majority of this expenditure was for cyclical replacement of IT hardware, the continuing project to enhance the capacity and capability of our key administration systems and the ongoing development of the Active Savings platform.

Activity related costs primarily include dealing related costs and financial transaction charges. Overall they increased by 93% to £35.6 million (2020: £18.4m). The key driver was the significant increase in client activity particularly the record dealing volumes, which helped bring in an additional £101 million of shares revenue and the increased debit card transaction costs as clients added money to their accounts.

Third party data and technology costs increased by 54% to £22.8 million (2020: £14.8m). This was driven by the increase in employee numbers and enabling so many of them to work from home with appropriate hardware and software throughout most of the year, plus additional data costs incurred in providing our proposition.

Other costs primarily include office running costs, legal and professional fees, compliance, compensation costs and insurance. Overall they fell by £0.4 million to £29.4 million (2020: £29.8m).

The Financial Services Compensation Scheme (FSCS) levy increased slightly by £0.2 million to £13.9 million (2020: £13.7m). The cost for the year is a combination of a £0.4 million interim levy relating to the last scheme year, which was only raised in December 2020, plus a charge made in the second half for the new scheme year of £13.5 million (2020: £12.0m). The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. At present we anticipate that this levy will continue at a similar level.

Profit before tax

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Operating profit	365.6	337.7
Finance income	1.4	2.8
Finance costs	(1.0)	(1.0)
Underlying profit before tax*	366.0	339.5
Gain on disposal	-	38.8
Profit before tax	366.0	378.3
Tax	(69.7)	(65.1)
Profit after tax	296.3	313.2

The Group's underlying profit before tax, excluding the one-off gain from the sale of FundsLibrary in 2020, rose by 8% to £366.0 million (2020: £339.5m). Including the £38.8 million gain on disposal in the 2020 result the profit before tax fell 3%. Profits after tax declined by 5% to £296.3 million (2020: £313.2m) as the effective rate of corporation tax rate increased to 19.1% (2020: 17.2%).

Tax

The effective tax rate for the year was 19.1% (2020: 17.2%). This was in line with the standard rate of UK corporation tax. Note last year's effective rate was below the standard rate of UK corporation tax as the gain on disposal of FundsLibrary was exempt as it met the conditions of the Substantial Shareholder Exemption. The Group's tax strategy is published on our website at www.hl.co.uk.

EPS

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit after tax	296.3	313.2
Diluted share capital (million)	474.5	474.8
Diluted EPS (pence per share)	62.5	65.9
Underlying diluted EPS (per share)*	62.5	57.8

Diluted EPS decreased by 5% from 65.9 pence to 62.5 pence, as underlying growth was offset by the one-off gain on disposal of FundsLibrary in 2020. The Group's Basic EPS was similarly down 5% from 66.1 pence to 62.6 pence. By removing the profit on disposal of FundsLibrary last year we arrive at an underlying diluted EPS which has increased by 8% from 57.8 pence to 62.5 pence.

Liquidity and capital management

Hargreaves Lansdown looks to create long-term value for shareholders by balancing our desire to deliver profit growth, capital appreciation and an attractive dividend stream to shareholders with the need to maintain a market-leading offering and high service standards for our clients.

* Definitions are shown in the Glossary of alternative financial performance measures on page 182.

OPERATING AND FINANCIAL REVIEW

CONTINUED

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our aim of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 30 June 2021 was £503.5 million (2020: £462.8m). Cash generated through trading more than offset the payments of the 2020 final ordinary and special dividends and the 2021 interim dividend. This includes cash on longer-term deposit and is before funding the 2021 final dividend of £126 million and special dividend of £57 million.

The Group has a Revolving Credit Facility agreement with Barclays Bank to provide access to a further £75 million of liquidity. This is currently undrawn and was put in place to further strengthen the Group's liquidity position and increase our cash management flexibility. The Group also funds a share purchase programme to ensure we avoid any dilution from operating our share-based compensation schemes.

The healthy net cash position provides both a source of competitive advantage and support to our client offering. It provides security to our clients, giving them confidence to manage their money through us over many years, and allows us to provide them with an excellent service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

	30 June 2021 £m	30 June 2020 £m
Shareholder funds	593	558
Less: goodwill, intangibles and other deductions	(37)	(32)
Tangible capital	556	526
Less: provision for dividend	(183)	(207)
Qualifying regulatory capital	373	319
Less: estimated capital requirement	(183)	(180)
Surplus capital	190	139

Total attributable shareholders' equity, as at 30 June 2021, made up of share capital, share premium, retained earnings and other reserves increased to £593.5 million (2020: £558.3m) as continued profitability more than offset payment of the 2020 final and special dividends and the 2021 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £190 million.

The Group has four subsidiary companies authorised and regulated by the FCA. These firms have capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements and, as a Group, we maintain a robust balance sheet retaining a capital base over and above regulatory capital requirements. Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk.

Dividend policy and 2021 declarations

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary dividend payout ratio at around 65% across the market cycle and looking to return excess cash to shareholders in the form of a special dividend after the year end. Any such return will be determined according to market conditions and after taking account of the Group's growth, investment and regulatory capital requirements at the time.

Dividend (pence per share)

	2021	2020
Interim dividend paid	11.9	11.2p
Final dividend declared	26.6	26.3p
Total ordinary dividend	38.5	37.5p
Special dividend	12.0	17.4p
Total dividend	50.5	54.9p

Reflecting this policy, the Board has declared a 2021 total dividend of 50.5 pence per share. Excluding the one-off return of 8.2 pence per share from the gain on disposal of FundsLibrary within the 2020 special dividend, this was 8% ahead of the like-for-like total dividend equivalent of 46.7 pence per share. This is in line with the growth in underlying earnings per share, reflecting the Board's confidence in the prospects for the business.

The Board considers that an element of 2021's earnings were generated from unusual levels of share dealing activity during the pandemic that does not form an element of its forward guidance on Share revenues. In order to maintain the Board's desire to grow the ordinary dividend progressively across the cycle, it has chosen to recommend a total ordinary dividend of 38.5 pence per share and declare a higher special dividend of 12.0 pence per share in order to maintain the total dividend payout ratio at 81% (2020: 81%). Subject to the shareholder approval of the final dividend at the 2021 AGM, the final and special dividends will be paid on 20 October 2021 to all shareholders on the register at the close of business on 24 September 2021.

The Board is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and can operate a sustainable and progressive ordinary dividend policy going forward. The Board remains committed to paying special dividends in future years should sufficient excess cash and capital exist after taking account of market conditions and the Group's growth, investment and regulatory capital requirements at the time.

Philip Johnson
Chief Financial Officer

8 August 2021

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CHAIR'S INTRODUCTION TO CORPORATE GOVERNANCE

SUPPORTING LONG-TERM SUCCESS



“

The role of the Board is to set the tone from the top on the Group's governance, culture and values

66

Hargreaves Lansdown
Report and Financial Statements 2021

I am pleased to introduce our Corporate Governance Report, which sets out how the Group's governance framework supports and promotes its long-term success, and provides an overview of the activities of the Board and its Committees during the period under review.

We apply and report under the 2018 UK Corporate Governance Code (the Code). Our Compliance Statement confirms our compliance with the Code during the period under review. You can read more about how we have applied its principles throughout our Corporate Governance Report.

Culture

Our culture underpins our approach to governance and risk management. The Board spends time promoting a culture that encourages good governance, effective decision making and appropriate risk management. Our strong culture, which promotes accountability and clarity on responsibilities, ensures that we can focus on making the right decisions, at the right level, with the right information to deliver the strategy and ambitions of the Board within the risk appetite set by the Board.

Risk and governance framework

Following an in-depth review of the Group's risk and governance framework in 2019, the Group has continued to implement and embed a number of improvements to better define responsibilities, improve executive challenge and oversight, and ensure that decisions and oversight take place at an appropriate level.

During the period under review, the Group has further enhanced the leadership and capability of the existing risk management team and approved the next phase for the Group's Risk Enhancement Plan. You can find more information on this in the Risk Committee report on page 123.

Board changes

The Board welcomed three new Directors during the period under review. Andrea Blance and Moni Mannings joined in September 2020 as new independent Non-Executive Directors and Adrian Collins joined in November 2020 as a new Nominated Director. You can find more information about their appointment and the skills and experience they bring in the Nomination Committee Report on page 118.

On 25 June 2021, the Board was pleased to announce the appointment of Penny James as a new Senior Independent Director with effect from 1 September 2021. This appointment follows the resignation of Shirley Garrood as Senior Independent Director at the end of December 2020. I would like to thank Shirley for her hard work and dedication and wish her well for the future.

As announced in August 2020, Stephen Robertson and Fiona Clutterbuck stepped down from the Board on 8 October 2020. I would like to reiterate, on behalf of the Board, our gratitude to Stephen and Fiona for their dedication and contribution to the Group during their tenure with us.

On 29 July 2021, we announced that Philip Johnson had informed the Board of his intention to step down from his position as Chief Financial Officer. During the next financial year the Board's Nomination Committee will undertake a search to identify and appoint a successor. Philip will work with Chris Hill, Chief Executive Officer, and the Board to ensure an orderly transition.

CHAIR'S INTRODUCTION TO CORPORATE GOVERNANCE

CONTINUED

Diversity

It is widely accepted that greater diversity within a business drives better business performance and we strongly believe that building a diverse and inclusive workforce is good for the Group's clients, its business and its people.

You can read more about our approach to building diversity and inclusion across our workforce and the initiatives that support it on pages 30 to 32 of the Strategic Report.

The Group's diversity policy for Board appointments supports the recommendations of the Hampton-Alexander Review for 33% female representation on the Board by the end of 2020, and of the Parker Review for at least one Director from an ethnic minority background by the end of 2021. You can read more about the policy and the importance we place on diversity in the recruitment of Non-Executive Directors on page 116 of the Nomination Committee Report.

In relation to diversity and following the appointment of Penny James, 40% of our Board will be women and we have at least one Director from an ethnic minority background.

Senior Managers and Certification Regime (SMCR)

We support the objectives of SMCR to clarify senior manager responsibility and accountability and improve the culture across the financial services industry.

The changes to our governance framework have been made in conjunction with, and complement, the implementation of SMCR in our principal operating subsidiaries. The focus of the regime in driving better conduct aligns with our continued work on culture and embedding our values throughout our business including through the development of HL Way. You can read more on page 74 of the Corporate Governance Report.

Stakeholder engagement

We continue to recognise the importance of engaging with and considering the interests of our stakeholders in promoting the Group's long-term success.

We value and appreciate the input of our colleagues and ensure that we regularly engage with and listen to our colleagues through a series of initiatives including our workforce advisory panel, the HL Colleague Forum, regular colleague surveys and a coordinated internal communications programme.

We spend time nurturing a strong relationship with our shareholders. We regularly meet shareholders on roadshows and were pleased to welcome a representative of our founder shareholder, Adrian Collins, to the Board in November 2020.

We are conscious of our impact on the wider community and take time to ensure that we are considering the environment and giving back to the community we work in. We are proud of our relationship with Bristol City Council.

Our relationship with the FCA as our regulator is of fundamental importance to us and we maintain an open, constructive dialogue with them to ensure that we are aware of and meet the standards that they expect.

You can read more about how the Directors have had regard to the interests of our colleagues and our other key stakeholders within the context of promoting the success of the Company in our Section 172 Statement on pages 130 to 133.

Deanna Oppenheimer

Chair

8 August 2021

COMPLIANCE STATEMENT

A revised version of the UK Corporate Governance Code (the Code) was published by the FRC in July 2018, and has been applied by the Company during the period under review. The Code sets out the standards of good practice in relation to how the Company should be governed, and can be found on the FRC's website at www.frc.org.uk.

The Board is satisfied that the Company has complied in full with the provisions of the Code throughout the period under review.

The Corporate Governance Report provides details of the Company's corporate governance framework and how it has applied the principles set out in the Code.

BOARD OF DIRECTORS

Chair



Deanna Oppenheimer
Chair and Non-Executive Director

Appointed to the board

February 2018

Skills and experience

Deanna has extensive board level governance and leadership experience in both public and private financial services business having worked in the industry for over 35 years at executive and non-executive level. Her rich executive experience includes, amongst other things, the transformation of the retail banking division at Barclays. She has also served as a Non-Executive Director at AXA Group, Worldpay, Whitbread plc, NCR Corporation, Tesco plc and Tesco Bank. Deanna is founder of CameoWorks, a consumer focused boutique advisory firm which works with fintech businesses and other technology disrupters. Deanna is a member of the 30% Club.

Committee membership

Nomination Committee (Chair)
Remuneration Committee

Other current appointments

Director of Thomson Reuters Corporation

Executive Directors



Chris Hill
Chief Executive Officer

Appointed to the board

February 2016 (Chief Financial Officer from February 2016 to September 2016, Deputy Chief Executive Officer from October 2016 to April 2017 and Chief Executive Officer since April 2017)

Skills and experience

Chris has considerable strategic, leadership and operational skills and experience from a number of business sectors. He has extensive finance and accounting experience having joined the Group initially as Chief Financial Officer and then moving in quick succession to the position of Chief Executive Officer. Prior to joining Hargreaves Lansdown he was Chief Financial Officer at IG Group Holdings plc and prior to that Chief Financial Officer at Travelex. Chris qualified as a chartered accountant at Arthur Andersen and is an associate member of the Association of Corporate Treasurers. He is a member of the 30% Club.

Committee membership

None

Other current appointments

Member of the FCA Practitioner Panel



Philip Johnson
Chief Financial Officer

Appointed to the board

April 2017

Skills and experience

Philip is an experienced financial services Chief Financial Officer and has run a range of service, operations, technology and support functions during his career. He has a wealth of experience in capital management, risk and controls and has a good track record in strategic operational execution. Philip was previously Chief Financial Officer of Jupiter Fund Management plc for seven years and prior to that Group Finance Director of M&G Limited for over five years. Philip qualified as a chartered accountant with Coopers and Lybrand.

Committee membership

None

Other current appointments

None

BOARD OF DIRECTORS

CONTINUED

Non-Executive Directors



Dan Olley

Independent Non-Executive Director

Appointed to the board

June 2019

Skills and experience

Dan is a seasoned senior technology leader with a track record of driving digital transformations in established businesses, including financial services, insurance, business information solutions, research and healthcare. He has a strong digital technology background and brings a problem solving and analytical skillset, along with experience of successfully implementing advanced technologies to drive both revenue growth and operational process efficiency and optimisation.

Committee membership

Risk Committee
Remuneration Committee

Other current appointments

Executive Vice President and CTO at Elsevier, a division of RELX, the FTSE 100 information-based analytics company



Roger Perkin

Independent Non-Executive Director

Appointed to the board

September 2017

Skills and experience

Roger is a qualified accountant with recent and relevant financial experience and competence in accounting and audit, as well as extensive financial services experience. He is a former partner of Ernst & Young, and has previously been a Non-Executive Director at Evolution Group plc, Friends Life Ltd, Nationwide Building Society, Electra Private Equity plc and TPICAP plc. Roger chaired or served on the Audit and Risk Committees of each of these and additionally was Senior Independent Director of Nationwide Building Society.

Committee membership

Audit Committee (Chair)
Risk Committee
Nomination Committee

Other current appointments

Non-Executive Director and Chair of the Audit Committee at AIB Group (UK) plc



John Troiano

Independent Non-Executive Director

Appointed to the board

January 2020

Skills and experience

John has significant investment and asset management experience. John has spent 38 years at Schroders in a wide range of roles including investment research and analysis, fund management, and has worked across both retail and institutional channels. Most recently, as Head of Distribution, he was responsible for the design and implementation of business strategy globally and the oversight of sales and client service activities.

Committee membership

Risk Committee
Audit Committee

Other current appointments

Independent Non-Executive Director of Hargreaves Lansdown Fund Managers Ltd, the Group's fund management arm

BOARD OF DIRECTORS

CONTINUED

Non-Executive Directors



Adrian Collins

Non-Independent Non-Executive Director

Appointed to the Board

November 2020

Skills and experience

Adrian has worked in the fund management business for over 45 years, most recently at Liontrust Asset Management where he served as Chairman from 2009 to 2019. During this period, Adrian oversaw a transformation in the business, broadening its investment and distribution capabilities and undertaking numerous acquisitions. Adrian has extensive experience across fund management and adjacent sectors having held senior roles at Gartmore, Trustnet (which he co-founded), Jupiter, Bestinvest and Lazard Investors. He is an experienced non-executive director. Adrian has been appointed to the Board as a shareholder representative and as such is not deemed to be independent.

Committee membership

None

Other current appointments:

Chairman of Logistics Development Group plc (formerly Eddie Stobart Logistics plc)
Chairman of CIP Merchant Capital Ltd



Andrea Blance

Independent Non-Executive Director

Appointed to the Board

September 2020

Skills and experience

Andrea has extensive board and financial services experience. She spent her executive career at Legal & General Group plc where she was a member of the Group Executive Committee and held a range of senior leadership roles including Divisional Chief Financial Officer, Group Financial Controller, Group Chief Risk Officer and Strategy & Marketing Director. Andrea's past non-executive roles include Senior Independent Director and Audit Committee Chair at ReAssure Group plc, Risk Committee Chair at Scottish Widows plc and Lloyds Banking Group Insurance and a member of William & Glyn's pre-IPO board.

Committee membership

Audit Committee
Nomination committee
Risk Committee (Chair)

Other current appointments:

Senior Independent Director and Chair of the Remuneration Committee of Provident Financial Group plc



Moni Mannings

Independent Non-Executive Director

Appointed to the Board

September 2020

Skills and experience:

Moni is a qualified solicitor with a strong background in international banking and finance and was a Senior Partner and Board member of law firm Olswang LLP. She has held a number of non-executive positions including as a Board member of Dairy Crest Group plc, Polypipe Group plc, Breedon Group plc, the Solicitors Regulation Authority (chairing its Equality, Diversity and Inclusion Committee) and Cranfield University.

Committee membership:

Nomination Committee
Remuneration Committee (Chair)
Risk Committee

Other current appointments:

Senior Independent Director and Chair of the Remuneration Committee of Investec Bank plc
Non-Executive Director of easyJet plc
Non-Executive Director of Cazoo

CORPORATE GOVERNANCE REPORT

SAFEGUARDING FUTURE SUCCESS

The Board is responsible for promoting the sustainable success of the Group, generating value for the Company's shareholders over the long-term, and contributing to wider society by building strong and lasting relationships with its other stakeholders.

Board leadership and Company purpose

The Board sets the Group's purpose, values and strategy, and is responsible for developing and overseeing its framework of governance, risk management and internal controls to ensure that its business is managed effectively in an environment that promotes and safeguards its future success.

You can read more about the Board's role in setting and monitoring the Group's strategic priorities on page 80 of this report and in the Group's Section 172 Statement on pages 130 to 133. You can read more about how the Board has considered the Group's opportunities and risks, the sustainability of its business model, and how governance around the Group's risk management framework contributes to the delivery of its strategic objectives, on pages 50 to 58 of the Strategic Report.

The Board also plays a key role in setting the Group's culture and monitoring how it is being embedded to ensure alignment with the Group's business priorities. An action plan was agreed last financial year to capitalise on the opportunities to develop the Group's culture identified following an internal culture audit and feedback from colleagues. The Board has been involved in a number of ongoing key initiatives including the development of the HL Way (for further information on the HL Way please see page 31), more accessible and effective communication of the Group's strategy and vision to create a clearer sense of purpose and common goals, improvements to the KPIs used to oversee culture and leadership capabilities, and reviewing and updating colleague development programmes and performance management frameworks.

The Board has overseen the embedding of SMCR and the changes introduced last year to the Group's governance framework, including in relation to oversight of investment decisions and decisions relating to the Wealth Shortlist. This has continued to contribute to developing the Group's culture by promoting greater clarity on responsibilities and accountability and better decision making processes within the organisation.

You can read more about the Group's values and how the Group's approach to investing in and rewarding its workforce aligns to those values on page 33 of the Strategic Report.

Engagement with stakeholders

The Board recognises that active engagement with the Company's key stakeholders is fundamental to promoting the Group's long-term success.

Details of how the Group engages with its key stakeholders can be found on pages 36 to 38 of the Strategic Report, and information on how stakeholder interests have been considered in Board discussions and decision making can be found in the Group's Section 172 Statement on pages 130 to 133.

Investor relations

The Board recognises the importance of maintaining good communication with the Company's shareholders and there is a comprehensive investor relations programme in place to ensure effective engagement.

The Chief Executive Officer, Chief Financial Officer and Head of Investor Relations regularly meet with the Company's major shareholders to discuss performance and strategy. This includes, albeit primarily virtually this year, a series of investor roadshows following the release of the Group's interim and full year results, and meetings throughout the year with existing and prospective investors both one-on-one and in groups at investor conferences.

The Chair meets or speaks with the Company's major shareholders throughout the year to discuss governance matters and the Senior Independent Director, Head of Investor Relations and Group Company Secretary are also available to major shareholders who wish to raise questions, queries or concerns. The Committee Chairs are available to meet with shareholders to discuss matters relevant to their roles.

The outcome of interactions with the Company's shareholders are regularly fed back to the Board to ensure that, as a whole, it has a clear understanding of shareholder views. To provide further perspective, analyst and broker briefings are regularly provided to the Board. This includes insights into investor sentiment following the release of the Group's interim and final results. Following the appointment of Adrian Collins as the Nominated Director, the Board also benefits from having someone able to represent a founder shareholder, Peter Hargreaves, on all issues considered by the Board.

The Group has a programme of communication to the Company's wider shareholder base and the market centred around its financial reporting calendar. The Investor Relations pages of the Group's website at www.hl.co.uk/investor-relations contain a variety of online content for shareholders, including presentations, key financial data and other shareholder news and business insights.

CORPORATE GOVERNANCE REPORT

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The Board also considers the Report and Financial Statements to be an important medium for communicating with the Company's shareholders. The Board aims to use the narrative sections to provide detailed reviews of the Group's business and its future development in an engaging way that is accessible to all. Similarly, the Company's AGM is usually used as an opportunity to engage directly with shareholders and share with them the Board's review of performance and its vision for the future. The Board is aware that the ongoing COVID-19 pandemic may result in restrictions on public gatherings being in place at the time of this year's AGM and will consider all options as to what format this year's AGM will take. Further details will be set out in the Notice of AGM that will be circulated ahead of the meeting.

Colleagues

The Board believes that the Group's people are key to its long-term success. It ensures that the Group's people policies and practices promote its values to support that success. Further information on the Group's people strategy and the policies and procedures in place to achieve its aims, including the Group's approach to investing in and rewarding its workforce, can be found on page 33 of the Strategic Report.

The Board also recognises the importance of engaging with the Group's workforce for the long-term success of the business.

The HL Colleague Forum was set up in January 2019 as a formal workforce advisory panel to create a direct link between colleagues and the Board on matters of strategic importance. You can read more on pages 34 and 35.

Further insight is obtained on colleague views through the Group's annual colleague survey, and half yearly pulse surveys. In response to the ongoing challenges of the COVID-19 pandemic, the views of colleagues have been sought on a more regular basis via additional pulse surveys, in order to ensure the Board and senior management are aware of the challenges colleagues are facing and how working practices can be improved.

Further information on how the Group engages with and considers the views of colleagues can be found on page 32 of the Strategic Report and in the Section 172 Statement on pages 130 to 133.

The Board believes in creating a culture of openness and colleagues are encouraged to share their views, ideas and work experiences. Similarly, colleagues are encouraged to raise any concerns in confidence, and the Group has a formal policy on whistleblowing to ensure colleagues who do speak out are protected. Further information can be found on page 86 of the Audit Committee Report.

Conflicts of interest

The Board takes action to identify and manage any conflicts of interest that arise to ensure that the interests of the Company's shareholders as a whole are protected.

All Directors have a duty to avoid situations that may give rise to conflicts of interest. Directors are responsible for notifying the Chair and the Group Company Secretary as soon as they become aware of any actual or potential conflict. The Company's Articles of Association permit the Board to consider and authorise any situations where a Director has an actual or potential conflict, and a formal procedure is in place for considering, recording and, if appropriate, authorising conflict situations. Conflicts of interest are included as a standing agenda item at each Board and Committee meeting, and in determining whether to authorise an actual or potential conflict, the Board will take into account the specific circumstances and whether to impose conditions on the Director in the interests of the Company.

There is a Conflicts Committee reporting into the CEO which is responsible for ensuring there is appropriate governance and ownership around enhancements to the conflicts management framework within the Group (other than the Company and its Committees). In addition, conflict management is enhanced through the separation of investment decisions and broad membership of investment related oversight committees including external members as appropriate. During the period under review:

(i) training on conflict management has been delivered as relevant across the Group; (ii) documentation, ownership and accountability of conflicts has been improved; and (iii) the conflicts register has been reviewed, updated and challenged by the Conflicts Committee.

Governance framework

The Board operates within a formal schedule of matters reserved, with certain responsibilities being delegated to its permanent Committees. Details of matters reserved for the Board can be found on page 73. The detailed responsibilities of the Board's Nomination, Audit, Risk and Remuneration Committees, along with an overview of how they have discharged those responsibilities in the period under review, can be found in the Committee reports on pages 81 to 125. The Chair of each of the Committees reports to the Board at each meeting on its activities since the previous meeting, and the Board keeps under review the terms of reference of each to ensure it is continuing to operate effectively.

Responsibility for matters that are not specifically reserved to the Board is delegated to the Chief Executive Officer. This includes oversight of the Group's performance, delivery against the strategy approved by the Board, and the effective management of day-to-day operations within the governance, risk and internal control frameworks it has developed. The Chief Executive Officer has established the Group Executive Committee to assist him in discharging these responsibilities. The Chief Executive Officer also receives reports from the Conflicts Committee about improving the Group's framework for identifying, mitigating and protecting against conflicts of interest, and to ensure appropriate measures are in place to mitigate conflicts of interests between the Group's principal operating subsidiaries and between the Group and its clients.

Details of the roles and responsibilities of the participants in the Company's governance framework can be found on page 73.

CORPORATE GOVERNANCE REPORT

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Governance framework

Product Governance Committee

- Oversees product governance arrangements for products and services manufactured or distributed by the Group
- Oversees the Group's client proposition
- Oversees the policy for admitting financial instruments to the Group's investment platform

Executive Risk Committee

- Oversees and advises on the Group's risk profile and changes to it by reference to the principal risks
- Advises on the Group's current risk exposures, future risk strategy and operational resilience
- Oversees capital adequacy activity under the ICAAP regime

Reward Governance Committee

- Oversees and reviews proposals for and changes to the Group's incentive schemes for individuals below Director role level
- Reviews and oversees the list of Material Risk Takers
- Assists with the risk adjustment process for the Group's variable incentive schemes

Conflicts Committee

- Maintains and oversees the Group's policy and framework for the identification and management of conflicts of interest within the Group
- Reviews subsisting conflicts of interest within the Group and the sufficiency of mitigating measures
- Determines appropriate action where material conflicts arise

Group Executive Committee

Established by the Chief Executive Officer to help him discharge his duties

Chief Executive Officer

Responsible for executive leadership of the Group in accordance with Board-approved strategic objectives

Audit Committee

- Monitors the integrity of the Group's financial reporting
- Monitors the adequacy and effectiveness of the Group's internal controls
- Oversees the Group's relationship with its external auditor and the effectiveness of the Internal Audit function

Nomination Committee

- Monitors the composition of the Board to ensure it remains appropriate
- Recommends appointments to the Board and its Committees
- Conducts succession planning for the Board and senior management
- Oversees the annual evaluation of the Board's effectiveness

Remuneration Committee

- Oversees and keeps under review the remuneration policies for Executive Directors, Material Risk Takers and colleagues generally
- Determines total remuneration for Executive Directors, senior management and Material Risk Takers, and associated targets for performance related pay

Risk Committee

- Reviews and advises the Board on changes to the Group's risk appetite, risk profile and future risk strategy
- Monitors the effectiveness and improvements being made to the Group's risk management framework
- Oversees the delivery of the Group's ICAAP

Hargreaves Lansdown plc Board

Schedule of matters reserved:

- Approval of the Group's strategic aims and objectives
- Setting the Group's values and standards
- Approval of the Group's purpose and ensuring that its purpose, values and strategy are aligned with its culture
- Approval of annual operating and capital expenditure budgets
- Overseeing the Group's operations and management
- Ensuring the maintenance of a sound system of internal controls and risk management
- Reviewing performance in light of strategic aims and objectives
- Approval of the Group's annual report and accounts and interim financial statements
- Approval of the Company's dividend policy and payments
- Approval of major capital projects
- Approval of communications to the Company's shareholders
- Ensuring adequate succession planning, agreeing Board appointments and the appointment or removal of the Company Secretary
- Determining remuneration policy for Executive Directors

CORPORATE GOVERNANCE REPORT

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The Group's principal operating subsidiaries carry out its business of providing regulated financial products and services. The boards of the principal operating subsidiaries include various members of the Group Executive Committee, with independent Non-Executive Directors also sitting on the Board of Hargreaves Lansdown Fund Managers Ltd in line with regulatory requirements. Each board is responsible for ensuring that its business is operated in accordance with relevant legal and regulatory requirements, within the framework of the strategy, culture and policies determined by the Board. The subsidiary boards are assisted by committees constituted to assist in the day-to-day management and oversight of their businesses, including a CASS Committee to oversee the protection of client assets, and investment committees to oversee investment decision making and compliance with internal investment-related processes.

Senior Managers & Certification Regime (SMCR)

During the period under review, the Group continued to embed the SMCR governance framework, with a focus on communication and education for all employees. A tailored and more specific approach was taken with Senior Managers performing a designated senior management function (SMFs) with respect to their obligations under the Senior Managers Regime; also with HL's Certified population in advance of submitting their annual fit and proper assessment; and with all colleagues on Conduct Rules, to achieve our regulatory milestones of 31 March 2021.

As part of embedding the framework, the SMCR Office was formed and has brought in significant expertise and leadership to the Group. A revised operating model has been launched ensuring that SMCR becomes part of what we do on an everyday basis, enabling the business to thrive at scale.

The Group will continue to embed the regime and over the next year will be making improvements to associated processes, systems and controls to deliver the desired outcomes expected by our customers, and the Regulator, but most importantly providing insight into, and support for, cultural changes and values at HL.

Board allocation of time and key Board activities

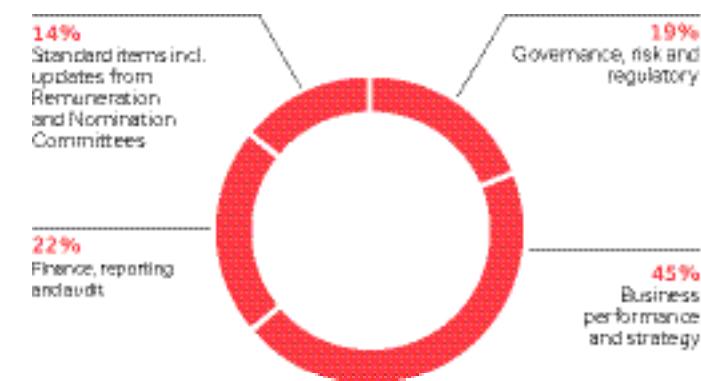
The Board devoted a significant amount of time during the period under review to overseeing the Group's business performance and the action being taken in pursuit of its strategic objectives. This has included regular updates from the Chief Executive Officer on business performance and progress of strategic initiatives, deep dives into areas of strategic importance, and the review and approval of the Group's annual operating plan.

The COVID-19 pandemic has naturally had a significant impact on the Group's operations in the period under review, and the Board has overseen and supported the action taken by the Group's Executive management in response to the pandemic, as well as receiving updates on the resilience of the business to continue to operate and service the Group's clients in extraordinary times.

The Board has continued to receive periodic reports relating to events arising out of the suspension of, and subsequent decision by Link Asset Services to wind up, the LF Equity Income Fund (formerly Woodford Equity Income Fund).

The following chart illustrates the time spent by the Board on matters within the categories stated.

Overview of activities during the financial year



Other key matters considered by the Board during the period under review include:

- Business performance, through regular updates from the Chief Executive Officer;
- Progress against strategic initiatives, via the Chief Executive Officer's regular business priorities updates;
- Deep dives into Advice, ESG, investment strategy, NPS, operational resilience, inclusion and diversity and cyber security;
- Financial performance and investor relations, via the Chief Financial Officer's regular updates;

CORPORATE GOVERNANCE REPORT

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- The Group's liquidity and capital adequacy, and the approval of its 2020 ICAAP;
- Approval of the Group's three year operating plan;
- Maintaining oversight of the Group's risk management framework and approval of its risk appetite statement;
- Monitoring the status of the Group's reputation;
- Approval of updates to the Group's key policies, including conflicts of interest, whistleblowing and Board diversity; and
- Progress of recommended actions from the annual evaluations of Board performance, including further embedding best practice and developing the resilience and expertise of the Board.

Division of responsibilities

The Board recognises the importance of a clear division of responsibilities between Executive and Non-Executive roles, and in particular a clear delineation of the Chair's responsibility to run the Board and the Chief Executive Officer's responsibility for running the Group's business. The roles of Chair, Chief Executive Officer and Senior Independent Director are clearly defined and have been approved by the Board.

Role of the Chair

The Chair, Deanna Oppenheimer, is responsible for leading the Board and ensuring that it is effective in discharging its duties. Her key responsibilities are to:

- Chair the Board, the Nomination Committee and general meetings of the Company;
- Set the Board agenda and ensure the Board receives accurate, timely and clear information, and that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Set clear expectations concerning the Company's culture, values and behaviours and the style and tone of Board discussions;
- Demonstrate ethical leadership and promote the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level, and generally ensure the effective governance of the Group;
- Promote a culture of mutual respect, openness and debate by facilitating the effective contribution of Non-Executive Directors, develop productive working relationships with the Chief Executive Officer and Chief Financial Officer, and ensure there are constructive relations between Executive and Non-Executive Directors generally;
- Encourage all Board members to engage in Board and Committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
- Ensure effective communication with the Company's shareholders and other stakeholders, and that the Board as a whole is made aware of their views; and
- Ensure that the performance of the Board, its Committees and individual Directors is evaluated at least once a year and that the results of the evaluation are acted upon.

Role of Chief Executive Officer

The Board delegates responsibility for the executive leadership of the Group's business to its Chief Executive Officer, Chris Hill. His key responsibilities are to:

- Lead the senior management team in the day-to-day running of the Group's business in accordance with the Board approved strategic objectives;
- Chair the Group Executive Committee in its oversight of the performance of the Group's principal operating subsidiaries against the Board approved strategic objectives and communicate any decisions and recommendations to the Board;
- Review the operational performance and strategic direction of the Group's business;
- Ensure that appropriate systems of internal control and risk management are in place and operating in accordance with the Group's risk appetite approved by the Board; and
- Together with the Chair, provide coherent leadership of the Group and promote adherence to its culture and values.

CORPORATE GOVERNANCE REPORT

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Role of Senior Independent Director

The Senior Independent Director plays an important role in supporting the Chair on governance issues, contributing to the culture of open and honest communication between the Chair and the other members of the Board, and providing an additional point of contact for the Company's shareholders.

The key responsibilities of the Senior Independent Director are to:

- Assist the Chair by being available to discuss and provide insight and guidance on issues relating to the Group's governance, the performance of the Board and individual Directors, and on any concerns raised by Directors, the Company's shareholders or the Group's employees;
- Lead the NEDs in carrying out the Chair's annual performance review. This includes meeting with and obtaining appropriate feedback from the NEDs without the Chair and Executive Directors present, monitoring the Chair's performance throughout the year, and paying close attention to the relationship between the Chair and Chief Executive Officer to ensure it is functioning well;
- Lead the process for, and chair the Nomination Committee when considering, the selection and appointment of a new Chair;
- Facilitate the resolution of disputes between the Chair and other members of the Board; and
- Be available to address the concerns of the Company's shareholders in situations where the Chair, Chief Executive Officer or Chief Financial Officer have failed to resolve those concerns, or where contact with those individuals is inappropriate.

Non-Executive Directors

The role of the Non-Executive Directors is to constructively challenge and help develop proposals on strategy, and play a leading role in monitoring and scrutinising the performance of the Group's Executive management in meeting agreed goals and objectives.

The Non-Executive Directors are also responsible for determining appropriate levels of remuneration for the Executive Directors, and play a prime role in appointing and, where necessary, removing Executive management.

The Nominated Director is an appointee of a shareholder. However, all the Non-Executive Directors are independent of management and bring valuable skills, experience and an external perspective to the business conducted by the Board, as well as offering specialist advice in their fields of expertise. The independent Non-Executive Directors also play an important role as members of the Board's Committees.

Group Company Secretary

All the Directors have access to the advice and services of the Group Company Secretary. The Group Company Secretary is responsible for working with the Chair to develop and maintain the policies and processes, and for ensuring the Board has the information, time and resources required, in order for it to function effectively and efficiently.

The Group Company Secretary is also responsible for advising the Board on corporate governance matters and for ensuring procedures are followed and applicable rules and regulations complied with.

The appointment and removal of the Group Company Secretary is a matter reserved for the Board. During the period under review, the Board appointed Victoria Orme as Group Company Secretary following the departure of Alison Zobel.

Meetings, attendance and information provided to the Board

Member	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	• • • • •	• • • • •
Andrea Blance	Independent Non-Executive Director	• • • •	• • • •
Fiona Clutterbuck	Independent Non-Executive Director	•	•
Adrian Collins	Nominated Director	• • •	• • •
Shirley Garrood	Independent Non-Executive Director	• • •	• • •
Chris Hill	Executive Director	• • • • •	• • • • •
Philip Johnson	Executive Director	• • • • •	• • • • •
Moni Mannings	Independent Non-Executive Director	• • • •	• • • •
Dan Olley	Independent Non-Executive Director	• • • • •	• • • • •
Roger Perkin	Independent Non-Executive Director	• • • • •	• • • • •
Stephen Robertson	Independent Non-Executive Director	•	•
John Troiano	Independent Non-Executive Director	• • • • •	• • • • •

The Board met six times during the period under review. The attendance of members of the Board are set out above. Supported by the Group Company Secretary, the Board is satisfied that it has the policies, processes, information, time and resources required in order for it to function effectively and efficiently. Comprehensive Board packs and agendas are circulated prior to meetings to ensure Directors have the opportunity to consider the issues to be discussed so that more time at meetings can be dedicated to constructive challenge and strategic discussion. Directors are expected to attend all meetings. However, when a Director is unavoidably unable to attend all or part of a meeting, he or she is able to provide comments on the papers to the Chair before the meeting.

CORPORATE GOVERNANCE REPORT

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Outside of the scheduled Board cycles, the Board may meet to discuss or otherwise consider and approve matters on an ad hoc basis, such as appointments to the Board and other senior positions within the Group, or other material and time critical matters. Due to government restrictions arising as a result of COVID-19 the Board has been meeting remotely throughout the period under review. The Board does not consider that these alternative arrangements have had any impact on its ability to operate effectively and discharge its obligations. The Non-Executive Directors also meet periodically without the Executive Directors present. During the period under review such sessions have been held during the majority of Board meetings, as well as informal meetings by video conference, and more recently in person events.

The Board also met with members of the Group Executive Committee and other senior management during the period under review, including a virtual drinks event with the Group Executive Committee and a dedicated virtual 'away day' to consider in detail how client outcomes should evolve given the Group's strategy for growth. There have also been a number of strategy 'drop in' sessions during the year for the Board with members of the Group Executive Committee covering items including: technology; client; service and growth.

Board independence and time commitments

The structure, size and composition of the Board is regularly reviewed to ensure that the balance between Executive and Non-Executive Directors allows it to exercise objectivity and that no individual or small group of individuals dominates decision making. Each of the Non-Executive Directors is considered to be of sufficient calibre and experience to bring significant influence to decision making.

On her appointment as Chair, Deanna Oppenheimer satisfied the independence criteria set out in the Code.

The Board considers that each of Andrea Blance, Moni Mannings, Penny James, Dan Olley, Roger Perkin, and John Troiano are independent. The Board further considers that each of the following were independent until their resignations: Fiona Clutterbuck (resigned 8 October 2020), Stephen Robertson (resigned 8 October 2020), and Shirley Garrood (resigned 31 December 2020). In each case when assessed against the criteria set out in the Code. Adrian Collins is not considered independent because he is appointed by a major shareholder. Throughout the period under review, the Board has therefore satisfied the Code requirement that at least half of the Board, excluding the Chair, comprises Non-Executive Directors determined to be independent.

The Board considers that each of the Non-Executive Directors has sufficient time to meet their responsibilities both to the Board and any Committees of which they are a member. Board members are required to disclose significant time commitments prior to their appointment, and candidates' existing time commitments are taken into account by the Board when considering new appointments.

Directors are required to consult the Board prior to undertaking any additional external appointments.

The independence and time commitments of the Non-Executive Directors are kept under review by the Nomination Committee. Details of its oversight of these matters can be found on page 120. Neither of the Executive Directors currently holds any significant external appointments.

Composition, succession and evaluation

Board composition, balance and diversity

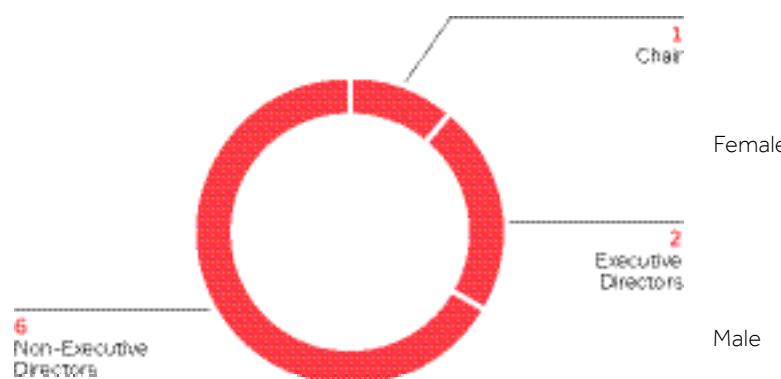
The Nomination Committee regularly reviews the size, structure and composition of the Board and its Committees to ensure an appropriate and diverse mix of skills, experience, knowledge, backgrounds and personal strengths. The Non-Executive Directors have strong and relevant experience across all aspects of financial services and the Board as a whole is considered to have an appropriate balance of skills and experience for the requirements of the Group's business.

Diverse pools of candidates are considered for vacancies and in succession planning, and any appointments are based on merit and objective criteria. Further details on the Group's approach to diversity and inclusion when considering Board appointments and succession planning, and how the approach promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, can be found in the Nomination Committee report on pages 114 to 120.

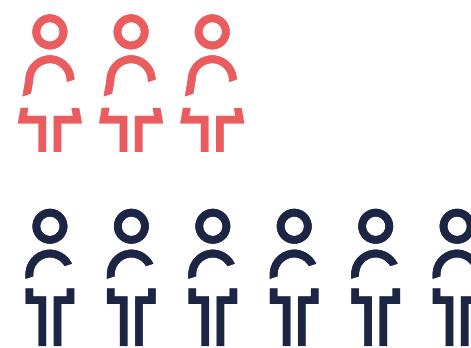
CORPORATE GOVERNANCE REPORT

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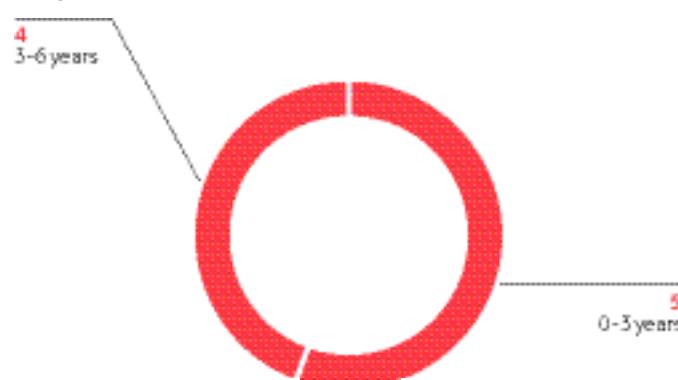
Board composition



Board diversity



Length of tenure



On joining the Board, Non-Executive Directors receive a formal letter of appointment setting out the time commitment expected of them. Once they have met all approval and induction requirements, Non-Executive Directors are currently expected to commit a minimum of 30 days per annum to their roles. This expectation is calculated based on attendance at and preparing for Board meetings, meeting with senior management and the Company's shareholders, and attending strategy days, Board dinners and training. Additional time commitments may apply where a Non-Executive Director takes on an additional role such as chairing a Committee.

Induction and professional development

The Chair is responsible, with the support of the Group Company Secretary, for arranging a comprehensive induction programme for all new Directors. Inductions are tailored to the individual following a skills gap analysis, and have regard to their background, knowledge and previous experience both professionally and as a Director.

Consideration of the length of service of Directors is a key element of the wider consideration of Board composition and succession planning, and for Non-Executive Directors it is an important aspect that is considered in determining continued independence. The Group maintains clear records of the terms of service of the Chair and Non-Executive Directors to ensure continued compliance with the tenure requirements in the Code. The Chair has held the position since her appointment to the Board in February 2018 and, as at the date of this report, none of the Non-Executive Directors has served on the Board for more than nine years from the date of their first appointment.

Director election and re-election

In accordance with the requirements of the Code and the Company's Articles of Association, all Directors will stand for election or re-election, as relevant, at this year's AGM. Information on how the Board evaluates the effectiveness and contribution of each Director can be found in the Nomination Committee report on pages 114 to 120. The Notice of AGM will include specific details of why the Board considers that the contribution of the Directors seeking election or re-election is, and continues to be, important to the Group's long-term sustainable success.

CORPORATE GOVERNANCE REPORT

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Board appointment process

The Nomination Committee leads the process for Board appointments, details of which can be found in the Nomination Committee report on pages 114 to 120.

Non-Executive Directors are appointed for fixed terms of three years, subject to election or re-election by the Company's shareholders at each AGM. At the end of each term, Non-Executive Directors may be appointed for further three-year terms provided the Board is satisfied with the individual's performance and that he or she remains independent and able to devote sufficient time to the role.

Induction programmes include meetings with a variety of key stakeholders to provide the Director with a thorough overview of the Group's business and the environment within which it operates. This includes meetings with the Chair, Chief Executive Officer, Chief Financial Officer and other members of the Board, as well as meetings with senior management, heads of business areas and technical experts, to gain a detailed insight into the operation of the business and its culture. The Group Company Secretary and Group Chief Risk Officer will also meet with the Director to provide an overview of the Group's corporate governance and risk management frameworks respectively.

An ongoing programme of training is available to all members of the Board. During the period under review, this has included a training session for the Board with the Silicon Valley Product Group and support for the Board's Committees in discussions on relevant topics such as: developments in audit best practice; and the impact of the Investment Firm Prudential Regime. The Board also carries out periodic 'deep dives' into specific areas of the business in order to broaden the Board's understanding of the Group's business and the opportunities and challenges it faces. During the period under review, the Board has carried out deep dive sessions on Advice, ESG, HL's investment strategy; NPS; operational resilience; inclusion and diversity; and cyber security.

Training is also arranged to align to any specific development needs identified by the annual Board evaluations, and individual Directors are encouraged to devote an element of their time to self-development.

Board evaluation

A formal evaluation of the performance of the Board, its Committees and the Directors is conducted annually, covering topics such as composition, diversity and how effectively the Directors work together to achieve objectives. Following the externally facilitated evaluation in 2018, internal evaluations have been carried out for 2019 and 2020. Further details of the process undertaken and how the Chair has acted on the results can be found in the Nomination Committee report on pages 114 to 120.

Audit, risk and internal control

Audit

The Board is responsible for establishing the policies and procedures that ensure the independence and effectiveness of the Group's Internal Audit function and the external auditor, and for satisfying itself as to the integrity of the financial and narrative statements in the Report and Financial Statements. The Board delegates responsibility to its Audit Committee to oversee the Group's Internal Audit function and the Group's relationship with its external auditor. The Audit Committee is also responsible for monitoring the integrity of the Group's financial reporting and the processes and controls that support it, and for advising the Board as to whether the Report and Financial Statements provide a fair, balanced and understandable assessment of the Company's position and prospects.

The main features of the Group's internal control and risk management systems that ensure the accuracy and integrity of its financial reporting include:

- The utilisation of appropriately qualified and experienced colleagues, and regular knowledge sharing within the team;
- The use of appropriate information security and access controls around the key systems used in the Group's financial reporting processes;
- Appropriate segregation of duties to ensure that no individual controls the end-to-end process;
- Promoting improvements to risk identification and management through the appointment of risk champions;
- Detailed processes and controls around the reconciliation of the Group's office accounts, the recognition of revenue and the Group's tax balances, and payment processes; and
- A detailed process of reconciliation and review by management of data extracted from the general ledger system for the production of management accounts.

Further details can be found in the Audit Committee report on pages 81 to 87. Statements from the Board as to the adoption of the going concern basis for preparing the financial statements and the Board's responsibility for preparing the Report and Financial Statements can be found on page 129 of the Directors' Report and the Statement of Directors' Responsibilities on page 134 respectively.

CORPORATE GOVERNANCE REPORT

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Risk management and internal controls

The Board is responsible for establishing procedures for risk management and for monitoring the Group's risk management framework and system of internal controls. The Board is also responsible for determining the nature and extent of the principal risks the Group is willing to take in order to achieve its long-term strategic objectives. Supported by the Risk Committee, the Board carries out a robust assessment of the Group's emerging and principal risks when assessing the prospects of the Company over the longer term. The outcome of that assessment, along with a description of the Group's principal risks, the procedures in place to identify emerging risks, and an explanation of how these risks are managed or mitigated can be found on pages 50 to 58 of the Strategic Report.

The Group's risk management and internal control framework is designed to manage rather than eliminate risk and follows the 'three lines of defence' model. Risk management and the implementation of controls is the responsibility of the operational teams which constitute the first line. Oversight and guidance is provided by the Group's Risk and Compliance functions which constitute the second line, and third line independent assurance is provided by the Group's Internal Audit function.

A description of the main features of the Group's risk management and internal control systems, which have been in place for the period under review and up to the date of this report, can be found on pages 50 to 58 of the Strategic Report.

The Board delegates responsibility for monitoring those systems to its Audit and Risk Committees, and each carries out an annual review of their effectiveness on the Board's behalf. Together, this review covers all material controls, including financial, operational and compliance controls and risk management systems. Further details can be found on pages 85 to 86 of the Audit Committee report and page 123 of the Risk Committee report. The crossover of membership between the Audit Committee and Risk Committee assists in the exchange of relevant issues and the facilitation of associated discussions.

Following review by its Committees, the Board is satisfied that the Group's risk management and internal control systems are adequate and have continued to improve throughout the period under review. The Board recognises that in order to support the recent and continuing growth and increasing complexity of the Group, there is a need to invest in improving and strengthening the Group's risk culture and the risk management and internal control systems. Further information on the planned enhancements can be found on page 123 of the Risk Committee report.

Remuneration

The Group's remuneration policies and practices are designed to support its strategic objectives and promote its long-term sustainable success. A summary of how the Company has complied with the remuneration requirements set out in the Code, along with details of the Remuneration Committee's activities during the period under review, the levels of Directors' remuneration and the proposed new Directors' Remuneration Policy, can be found on pages 92 to 97.

AUDIT COMMITTEE REPORT

ENSURING THE CONTINUED INTEGRITY OF THE GROUP



Dear Shareholder

As Chair of the Audit Committee, I am pleased to present this report on the Committee's activities in the year under review. The Committee's focus during this period has been on financial reporting and the maintenance of the Group's internal control framework particularly in the context of the COVID-19 pandemic.

In carrying out its oversight of the Group's financial reporting during the year, the Committee has paid particular attention to the root causes of internal audit issues, the development of audit and corporate governance reform and the revised methodology for intercompany recharges.

The Committee has continued to oversee the effectiveness and independence of the external auditor. This year's audit is the first for Darren Meek our new lead audit partner, who shadowed Alex Bertolotti during last year's audit. Darren can serve for a further four years subject to the outcome of the tender process we are required to undertake for the external audit mandate for the financial years after 30 June 2023.

Elsewhere, the Committee has continued to oversee the effectiveness and ongoing improvements being made to the Group's internal controls, particularly around the CASS assurance framework, as well as overseeing and receiving assurance from the Group's Internal Audit function.

I will be available to answer any questions at the AGM. If there are government measures in force restricting physical public gatherings at the time of the AGM and limiting shareholders' ability to attend and ask questions then, as in 2020, shareholders will be invited to send questions to our company secretarial team by email. Further details will be set out in the Notice of AGM.

“

Ensuring oversight of financial reporting and the control environment

Role of the Audit Committee

The Committee assists the Board in ensuring that the interests of the Company's shareholders are protected in relation to the Group's financial reporting and internal controls. The Board delegates responsibility to the Committee to monitor the integrity of the Group's financial reporting and the processes and controls that support it. This includes reviewing and challenging the appropriateness of accounting policies, significant issues and judgements, and the assumptions in support of the Company's ability to continue as a going concern and its longer-term viability.

A key aspect of the Committee's role in ensuring the integrity of the financial reporting is its oversight of the Group's relationship with the external auditor. This includes making recommendations to the Board in relation to the appointment of the external auditor, approving its scope of work, fees and terms of engagement, as well as regularly reviewing its independence, objectivity and effectiveness.

More broadly, the Group's internal control framework is an essential part of ensuring the integrity of its financial reporting and other business operations. The Committee oversees the effectiveness of, and ongoing improvements to, the Group's internal controls, as well as having responsibility for monitoring and reviewing the effectiveness of the Group's Internal Audit function, which provides assurance on those controls.

The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at www.hl.co.uk/about-us/board-of-directors.

Attendance at Committee meetings during the year to 30 June 2021

Member	Position	Eligible meetings	Attended meetings
Roger Perkin	Chair	*****	*****
	Independent		
Andrea Blance	Non-Executive Director	*****	*****
	Independent		
John Troiano	Non-Executive Director	*****	*****
	Independent		
Fiona Clutterbuck	Non-Executive Director	**	**
Stephen Robertson	Independent		
	Non-Executive Director	**	**

AUDIT COMMITTEE REPORT

CONTINUED

This report provides an overview of how the Committee has discharged its responsibilities during the period under review.

Composition and meeting attendance

Roger Perkin (as Chair), Andrea Blance and John Troiano, each of whom is an independent Non-Executive Director, are the members of the Committee as at the date of this report. Roger Perkin was a member throughout the period under review. Andrea Blance became a member upon her appointment as a Non-Executive Director. John Troiano became a member on 1 September 2020. Fiona Clutterbuck and Stephen Robertson were members of the Committee until their resignations as Non-Executive Directors on 8 October 2020. Andrea Blance and John Troiano were each provided with an induction prior to joining the Audit Committee which was tailored to their respective needs.

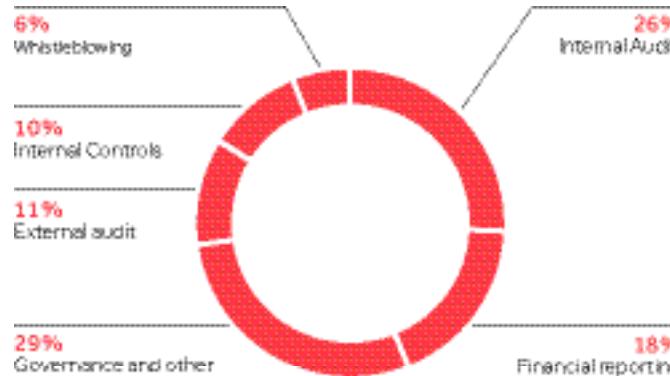
Committee appointments are made for three-year terms and can be extended for no more than two additional three-year terms, provided that the member remains independent. Committee membership is regularly reviewed by the Committee Chair, who makes suggestions for appointments to the Nomination Committee, which may in turn recommend such appointments to the Board for approval.

The Board has satisfied itself that the Committee as a whole has an effective balance of skills and experience to perform its responsibilities. Each of Roger Perkin, Andrea Blance and John Troiano have significant experience of the asset management sector and the wider financial services industry. Roger Perkin has recent and relevant financial experience and competence in accounting and audit.

Ongoing training is provided to assist Committee members in performing their duties. During the period, this has included a briefing from the external auditor at the Committee's December meeting on developments in relation to audit and corporate governance best practice.

The Committee met six times in the period under review. The attendance of members at meetings across the year is set out in the table on page 81. Other individuals attend Committee meetings at the request of the Committee Chair. This will usually include the Chair of the Board, the Chief Financial Officer, the Chief Internal Auditor and the external auditor. The Committee has access to the Group Company Secretary, who also acts as secretary to the Committee. The Committee is authorised to obtain independent professional advice where it considers it necessary. Due to government restrictions arising as a result of COVID-19 the Committee has been meeting remotely throughout the period under review. The Committee does not consider that these alternative arrangements have had any impact on its ability to operate effectively and discharge its obligations.

Overview of the Committee's activities in the year to 30 June 2021



Financial statements

The Committee is responsible for monitoring the integrity of the Group's financial statements, including its interim and full year results. Where practicable, and consistent with regulatory requirements, it also reviews other statements requiring Board approval which contain financial information.

In carrying out this role, the Committee reviews and challenges the application of significant accounting policies across the Group that feed into its financial statements, and the methods used to account for significant or unusual transactions. Significant examples considered by the Committee during the period include:

- The application of IAS 38 (Intangible Assets) in relation to the amounts held by the Group's subsidiaries including internally developed software and goodwill; and
- The requirements of IFRS 7 (Revenue from Contracts with Customers) in relation to the treatment of net gains (or losses) arising on temporary holding of investments in the ordinary course of business.

In each case the Committee reviewed and challenged management on the appropriateness of these accounting policies and how they were applied to the Group's financial statements.

The Committee also considers the accounting estimates and judgements made, and any significant issues that have arisen, in preparing the Group's financial statements. It scrutinises the clarity and completeness of related disclosures to ensure they are set properly in context. In doing so, it pays due regard to any related correspondence with the external auditor and any material adjustments resulting from the external audit. In the period under review, the Committee has concluded that there were no significant issues requiring judgements to be made in relation to the financial statements. In arriving at this conclusion, the Committee considered the following:

AUDIT COMMITTEE REPORT

CONTINUED

- **Revenue recognition.** The Committee considered the veracity of the Group's revenue streams in the period, which continue to be non-complex and primarily consist of high-volume, low value transactions. The Committee receives assurance on revenue calculations both internally through its oversight of the Group's CASS controls and from the external auditor's approach to recalculate the Group's significant revenue streams and carry out sample testing on the remainder. In addition the external auditors reviewed and sample tested the operational transactions that drive the revenue to ensure that these were being booked in a timely and accurate fashion.
- **Going concern.** The Committee reviewed the going concern position for each group entity.
- **Carrying value of investment in subsidiary.** The valuation model of HLSL was reviewed in detail by the Committee and they concluded that a £16 million impairment of HL plc's investment in HLSL was required. They also reviewed the capitalised development cost in HLSL against this model and concluded that no impairment was required. Full details of the value of intangible assets capitalised and the policies applied can be found in note 2.2 to the consolidated financial statements on pages 152 to 153.
- **Tax.** The Committee received reporting on and considered tax matters impacting the Group, including overseas withholding tax, FATCA and HMRC's Corporate Criminal Offence.
- **COVID-19.** The Committee continued to consider the potential impact of the COVID-19 pandemic on the Group's performance and financial reporting. The Committee has spent time considering the implications of the pandemic on the Group's business models. In addition, the Committee has spent additional time with both the Group's Finance and Internal Audit functions to receive assurance on the quality of the Group's financial reporting and any issues and judgements made in connection with its preparation.

- **Contingent liabilities.** The Committee reviewed and carefully considered the contingent liabilities for the Group. Full details of the matters considered can be found in note 5.3 to the consolidated financial statements on page 164.
- **Remuneration.** The Committee considered the accounting impact of the proposed changes to a new Sustained Performance Plan within the Remuneration Policy. Changes relate to deferral rates and vesting periods and are driven from the requirements of the Investment Firm Regulation and Investment Firm Directive along with shareholder feedback.

As Hargreaves Lansdown Asset Management Limited is an enhanced firm under the Senior Managers & Certification Regime but does not have a separate Audit Committee, the Committee reviewed the Hargreaves Lansdown Asset Management Limited accounts for recommendation to the board of that company.

Report and Financial Statements and interim results

In addition to considering significant accounting issues, policies and judgements throughout the year, the Committee plays an important role in the production of the Report and Financial Statements and interim results. This includes reviewing and challenging the assumptions that support the use of the going concern basis for the preparation of the financial statements and the statement given by the Directors as to the Company's longer-term viability, which can be found on page 52.

The Committee also undertakes a wider review of the content of the Report and Financial Statements to advise the Board as to whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. This supports the Board in providing the confirmations set out on page 134.

In considering the wider content of the Report and Financial Statements, the Committee pays particular attention to ensuring the narrative sections provide context for, and are consistent with, the financial statements, and that an appropriate balance is struck

between the articulation of successes, opportunities, challenges and risks. In addition to considering its content, the Committee also oversees the process for preparing the Report and Financial Statements.

In particular, the Committee has ensured that an appropriate senior manager is accountable for the preparation of each section, with overall responsibility for coordinating production being assigned to the Chief Financial Officer.

External Audit

The Committee is responsible for overseeing the Group's relationship with its external auditor, PwC, which has been retained since the Group's last competitive tender process run in relation to the financial year ended 30 June 2014.

In addition to oversight of the audit process itself, the Committee is responsible for monitoring the Group's other interactions with the external auditor to ensure that its independence and objectivity are maintained.

External audit process

During the period, the Committee has overseen the end-to-end audit process. The Committee reviewed and approved the external auditor's engagement letter and the detailed audit plan to ensure consistency of scope. In approving the proposed audit fees, the Committee paid particular attention to ensuring they were appropriate to enable an effective and high-quality audit.

The external auditor provided an update to the Committee at its June meeting on progress of the audit, before submitting a formal report in August following the completion of the audit process. The Committee reviewed the findings with the external auditor, which included a discussion of key audit and accounting matters including significant judgements of which there were determined to be none, and its views on its interactions with Executive management. The Committee also reviewed and recommended to the Board that it signs the representation letter requested by the external auditor in respect of its audit of the financial statements.

AUDIT COMMITTEE REPORT

CONTINUED

External auditor effectiveness and independence

The Committee is responsible for assessing the qualifications, expertise and resources of the external auditor, and for reviewing the effectiveness of the audit process. In discharging these responsibilities, the Committee has considered information from a variety of sources. It received a report from the external auditor on its own internal quality control procedures, which included reference to the outcome of the FRC's 2020/21 AQR inspection report. The views of the external auditor were also sought at the Committee's meetings, which included sessions without Executive management present to discuss its remit and any issues arising from the audit.

The views of Executive management and the Committee members were also sought on the efficiency of the year end process and the performance of the external auditor. It was noted that the external auditor has demonstrated challenge and professional scepticism in performing its role.

In addition to its effectiveness, the Committee is responsible for monitoring and assessing the independence and objectivity of the external auditor. In doing so, the Committee has considered the FRC's Revised Ethical Standard 2019, and paid particular attention to the Group's wider relationship with the external auditor through its provision of non-audit services to the Group, to the rotation of the senior audit partner, and to the external auditor's tenure with the Group, further information on which can be found below.

The Committee received a report from the external auditor confirming that, in line with the FRC's Revised Ethical Standard 2019 and having regard to the threats and safeguards to independence, it had concluded that there were no matters that impaired or restricted its objectivity as auditors to the Group.

Having considered the information and views presented to it, the Committee has concluded that the external audit process was effective, that it is satisfied with the performance of the external auditor, and that there are policies and procedures in place adequately to protect the independence and objectivity of the external auditor. Accordingly, the Committee has recommended to the Board that a resolution is put to the Company's shareholders at the upcoming AGM for the reappointment of the external auditor.

Non-audit fees

The Committee considers its oversight of the non-audit services provided to the Group to be a key component of discharging its responsibility for monitoring the independence and objectivity of the external auditor. In addition to the report the Committee received from the external auditor concerning the threats and safeguards to its independence, the Committee received and reviewed reports from the Group's Finance function prior to the publication of the Group's interim and full year results on all non-audit services provided to the Group by the external auditor during the period under review.

The Committee has responsibility for developing and recommending to the Board the Group's policy on non-audit services supplied by the external auditor. The policy is specifically designed to ensure that the external auditor's independence and objectivity is maintained. It sets out a number of permissible non-audit services which the external auditor may carry out in line with the FRC's revised ethical standard. Other than where the threat to auditor independence is considered low and where the fee payable is clearly trivial, the receipt of such services must be approved in advance by the Committee.

The policy also specifies, in line with the FRC's Revised Ethical Standard 2019, that the maximum non-audit fees that the external auditor can receive from the Group is 70% of the average of the audit fees incurred by the Group over the previous three years. The full policy can be found on the Group's website at www.hl.co.uk/about-us/board-of-directors/corporate-governance.

AUDIT COMMITTEE REPORT

CONTINUED

Summary of audit and non-audit fees:

	2021 (€)	2020 (€)
Statutory audits		
Hargreaves Lansdown plc and UK subsidiary statutory audit fees HL Tech (PwC Poland and UK work)	430,000 15,000	245,000 12,000
Total audit fees (a)	445,000	257,000
Audit related assurance services excluded from fee cap		
CASS audits - HLAM, HLFM, and HLAS Safeguarding Audit - HLS	229,000 132,000	154,894 -
Total audit related assurance services excluded from fee cap (b)	361,000	154,894
Audit related assurance services included in fee cap		
Half year review Trust audits Interim profit verifications	40,000 15,000 35,000	27,319 5,464 34,653
Total audit related assurance services included in fee cap (c)	90,000	67,436
Total non-audit fees	451,000	222,330
Total	896,000	479,330
Non-audit fee to audit fee ratio % for the year (b+c/a) Fee ratio % (c/a)	101% 20%	87% 26%

Tenure of the external auditor

The Company has complied throughout the period under review with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, as regards the tenure of the Group's external auditor, the tender process for auditor appointments and Audit Committee responsibilities.

The Group appointed PwC as its external auditor following a tender process in respect of the financial year ending 30 June 2014. It will therefore be required, at the latest, to undertake a formal, competitive tender process in respect of the financial year ending 30 June 2024, being 10 years from the previous tender process.

The Company considers that, taking account of the controls in place to maintain the external auditor's independence and objectivity, the relationship the Group has developed with PwC is conducive to an efficient and effective audit, and that it is therefore in the best interests of the Company's members as a whole to maintain that relationship for the time being.

Given the need to allow enough time to enable an incoming auditor to become independent following any appointment decision, the Company intends to begin the tender process in respect of the financial year ending 30 June 2024 in the next financial year.

The lead audit partner for the period under review was Darren Meek, who had shadowed last year's audit ahead of his appointment for this year's audit.

Internal controls

In conjunction with the Risk Committee, the Committee provides assurance to the Board on the Group's system of internal controls.

A key aspect of this is the review of the financial controls systems that identify, assess, manage and monitor financial risks, which are an important aspect of ensuring the integrity of the Group's financial statements as a whole. During the period, the Committee reviewed and discussed the Department for Business, Energy & Industrial Strategy's consultation paper on Audit and Corporate Governance noting that the output would put further emphasis on the Group's internal control framework and the Director's responsibility for this.

As part of its oversight of the Group's wider system of internal controls, the Committee receives reports from management on the effectiveness of those controls, as well as independent assurance on the effectiveness of controls by the Group's Internal Audit function and the external auditors. During the period, the Committee has:

Received regular reports from the Group's Internal Audit function on the sufficiency of the internal controls in those areas of the business included in the Internal Audit Plan for the period. Specific areas of focus in the period have included operational resilience, IT, response to COVID-19, governance and the systems and controls that support regulatory changes. Reporting to the Committee has also included updates on progress against management actions identified and a root cause analysis of internal audit observations over the preceding 12-month period.

AUDIT COMMITTEE REPORT

CONTINUED

The Committee has also received the Chief Internal Auditor's annual assessment of the Group's internal control framework;

- Monitored the status of the Group's CASS control environment and the improvements being made. In doing so it has considered the report from the external auditors on client assets held by the Group's regulated subsidiaries and received regular reports from the Group's CASS function on the completion of CASS assurance activity, status updates on remediation activity carried out as part of the CASS action plan, and management information on any breaches of significance and associated remediation;
- Received reports from the Group's Compliance Monitoring function on the effectiveness of measures designed to ensure compliance with the Group's regulatory obligations. The Committee approved the Compliance Charter which defines the role, responsibilities and authority of the Regulatory Compliance function within the Group. The Committee also reviewed the forward compliance monitoring programme to ensure coordination with the Internal Audit plan; and
- Received an annual report from the Group Director of Risk and Compliance to assist the Committee in its responsibility to keep under review the adequacy and effectiveness of the Group's Compliance function. This includes ensuring it is adequately resourced, has appropriate access to information and is sufficiently independent from first line management to enable it to perform its duties effectively.

The Committee spent a significant amount of time throughout the period under review considering the impact on the Group's system of internal controls of the measures put in place by the Group in response to the COVID-19 pandemic. This included reviewing the measures put in place in the last financial period to ensure that appropriate controls have been maintained in response to changes in working practices, and that assurance programmes have been realigned to focus on key control monitoring and support the business during exceptional circumstances.

Overall, the Committee is satisfied that the Group's internal control and risk management framework comprises adequate arrangements, actions and mitigating controls. The Committee recognises that in order to support the recent and continuing growth and increasing complexity of the Group, there is a need to invest in improving and strengthening the Group's risk culture and the risk management and internal control systems. Further information on the planned enhancements can be found on page 123 of the Risk Committee Report. The Committee has reviewed and approved the statements included in this Report and Financial Statements relating to risk management and longer-term viability on page 52 of the Strategic Report and on the adequacy of the Group's internal control and risk management arrangements on page 80 of the Corporate Governance Report.

Whistleblowing

The Group is committed to creating a culture of openness, integrity and accountability. A formal policy is in place which encourages colleagues and contractors to raise concerns, in confidence, about possible wrongdoing in relation to financial reporting or other matters. Changes to the policy require the approval of the Board, and the Committee has responsibility for regularly reviewing the adequacy of arrangements to ensure the proportionate and independent investigation of matters raised and appropriate follow up action. These arrangements are viewed as an important internal control for the Group and the Committee regularly updates the Board on their operation and incidences of concerns raised.

During the period, the Committee received regular reporting on the Group's whistleblowing arrangements, including management information on concerns raised and completion rates for internal training. The Committee has also overseen improvements to the Group's whistleblowing arrangements including the appointment of a third party to provide a whistleblowing hotline and case management tool to further encourage colleagues to raise concerns without fear of reprisal and improve case administration and formal training for those staff investigating concerns as well as senior managers to ensure they provide a supportive environment for staff to 'blow the whistle'.

Internal Audit

The role of the Group's Internal Audit function is to provide objective assurance and advice to both the Board and senior management on the Group's internal control and risk management framework. The Committee plays an important role both in overseeing the programme of work carried out by the function, and in monitoring and reviewing its role and effectiveness, including its objectivity.

The role of the Group's Internal Audit function is defined by the Internal Audit Charter, which sets out its objectives, responsibilities and scope of work. During the period, the Internal Audit Charter was reviewed by both the Committee and as part of the external evaluation of the Group's Internal Audit function and minor updates were made to the Charter.

The function's detailed work programme is set out in a rolling 12-month Internal Audit Plan, which is reviewed and approved by the Committee every six months. In doing so, the Committee has ensured that the Plan is aligned to the Group's key risks and to the assurance work being carried out by the Group's second line functions and the external auditor. Any modifications to the Plan are also approved by the Committee.

AUDIT COMMITTEE REPORT

CONTINUED

The Committee monitors the effectiveness of the function throughout the year to ensure that it is appropriate in the context of the Group's overall risk management system and its current needs. The Chief Internal Auditor is a permanent invitee to the Committee's meetings and meets regularly with both the Committee Chair and its members without Executive management present. During the period, the Committee received regular reports on progress against the Internal Audit Plan, the responsiveness of management in addressing recommended management actions, and the function's requirements for resource and access to management and information. The Committee uses this information to assess the function's effectiveness and to ensure that it is adequately resourced and fully equipped to fulfil its mandate and perform in accordance with the Internal Audit Charter and relevant professional standards. Where required, the Committee also supports the function in putting in place co-source arrangements to enable it to commission the support of appropriate subject matter experts.

In addition to the regular reporting it receives on progress against the Internal Audit Plan, the Chair of the Committee commissioned an external evaluation of the function's effectiveness which took place in the second half of the period under review. The external review was uniformly positive with regard to all matters reviewed - the Chief Internal Auditor and his team are highly regarded within the organisation; the planning, execution, documentation and reporting of audits is first class; overall, the function is considered to be making a valuable contribution to the risk and control framework.

Having considered that external evaluation of the Internal Audit function and the information provided to it throughout the period under review, the Committee remains satisfied that the quality, experience and expertise of the function is appropriate and that it is operating effectively.

The Committee continues to support the maintenance of the function's objectivity. It ensures the Chief Internal Auditor has direct access to both the Chair of the Board and the Committee Chair, in each case without the involvement of Executive management, and they receive reporting directly from the function.

It is also the responsibility of the Committee Chair to set objectives for the Chief Internal Auditor, appraise his performance (with support from the Chief Executive Officer) and recommend his annual remuneration for approval by the Remuneration Committee.

Audit Committee evaluation

During the period under review, the Committee has overseen the implementation of recommendations relating to its effectiveness from both the externally facilitated 2018 evaluation and internally led 2019 and 2020 evaluation of its performance. This has included an assessment of the quality of external advice provided to the Committee and a review of how the Committee reports back to the Board to ensure increased clarity and consistency.

Audit Committee priorities for 2021/22

Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- Preparations for changes to processes and procedures arising from the rules issued by the Business, Energy and Industrial Strategy Committee later in 2021 into the future of audit and corporate governance;
- The continued impact of COVID-19 on the financial environment in the UK and the broader macroeconomic situation; and
- Assurance from the Group's Internal Audit function on the Group's governance arrangements and changes to the Group's risk profile as a result of the COVID-19 pandemic and the subsequent plans for colleagues to return to working in the office.

Roger Perkin

Chair of the Audit Committee

8 August 2021

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION REPORT



Dear Shareholder

I'm delighted to have joined the Board of Hargreaves Lansdown as Remuneration Committee Chair and, on behalf of the Board, I am pleased to present my report.

Having spent some time with my Board colleagues and the senior leadership team, I have been struck with how this purpose-led organisation continues to perform well and do the right thing for its stakeholders.

I have set out below an overview of our remuneration policy and philosophy which is aligned to our values and is designed to encourage client-centric sustainable business performance. During this financial year, the Committee's main focus was on ensuring appropriate remuneration outcomes based on 2021 business performance, improving gender pay and diversity, and implementing the agreed changes to our remuneration policy from last year in anticipation of upcoming regulatory changes impacting our industry. We were able to gather shareholder feedback, as well as seeking and responding to the views of our wider workforce regarding remuneration, culture and Company strategy.

Finally, I want to provide you with details of our areas of focus for the forthcoming year.

Encouraging client-centric sustainable business performance

Our purpose is to empower people to save and invest with confidence and our pay philosophy aligns to this and aims to:

- Attract, retain and motivate a diverse range of high calibre colleagues who live our culture and values;
- Reward client-centric sustainable performance aligned to our purpose and values;
- Recognise our colleagues who deliver exceptional client service the HL Way;
- Share in the success of the Company and align colleagues' interests with those of shareholders;
- Encourage colleagues to save over the long term, in line with our Company purpose; and
- Offer flexibility to meet the needs of a diverse workforce.

The Group's remuneration policies and practices are designed to encourage sustainable and responsible long term success by supporting the business strategy, recognising strong, collaborative performance, and delivering value to our shareholders, without paying more than is necessary, whilst taking account of regulatory requirements, our impact on our community, affordability and market conditions.

Having applied our new remuneration policy this year, I am comfortable that the remuneration policy that was supported by our shareholders last year remains fit for purpose to recognise the contribution of our executives to the success of HL. Although I recognise the progress made in improved transparency around performance measures last year, we need to increase our focus on (and measurement of) Environmental, Social and Governance (ESG) progress, and I thank our shareholders for the opportunity to discuss our approach on this matter.

“

Aligning our pay philosophy with our purpose and values

Additionally, having taken views from our shareholders, you will see in this report our intention to align the Executive Directors' remuneration more appropriately to our performance expectations, the growth of the business and where they are positioned in respect of the overall market.

A summary of the remuneration policy approved by shareholders at the 2020 AGM is presented on pages 92 to 93.

Business context in 2021

This has been a difficult year for so many and I'm proud that, through the contribution of all our colleagues, we have delivered a very strong performance whilst continuing to manage the unique challenge presented by the COVID-19 pandemic. Over the period we have responded to our clients' needs through this uncertainty, managed high business volumes and the changing external environment with confidence and delivered a record performance, with, notably, more new clients, trades, and clients interacting with our website and app than ever before.

This has been a year of delivery focused on improving client service and introducing new tools and products to our offering; including the launch of our Wealth Shortlist, a new personalised online pension drawdown application, and drawdown investment pathways that offer our clients clear solutions based on their needs. At the same time we have continued to diversify by introducing further cash savings options with the launch of our Active Savings Cash ISA. We have developed our service journeys, improving ease of use and efficiency through new payment solutions such as enabling 24/7 bank transfers to the Fund & Share

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

CONTINUED

and SIPP accounts, and partnering with Stripe to improve our payments infrastructure. We have also continued to evolve our increasingly popular mobile app, making it easier for clients to view and engage with individual investment information including purchase and sale information, and next dividend date.

In light of the uncertainty created by the pandemic the Committee has been mindful of the need to ensure that business performance targets have remained appropriately stretching in the context of the evolving trading environment. To support this approach the Committee carried out a mid-year assessment of business performance to ensure that targets continued to remain suitably challenging in light of the prevailing market context. Despite the challenging external environment, it has been a year of record volumes with net new business reaching £8.7 billion, and where we have welcomed our highest ever number of net new clients at 233,000, which takes us to over 1.6 million clients. Investor confidence improved over the period, driven by political events and progress with managing the COVID-19 pandemic and this led to strong equity trading volumes up 53% on prior year.

Through effective management action we were able to maintain our service through these increasing volumes of client activity and reacted quickly to resolve rare service outages when they occurred. We have also continued to grow our position as the market leader in the direct to consumer platform market with market share increasing from 41.1% to 42.9%¹, whilst our share of the execution only stockbroking market has grown from 39.5% to 43.3%².

We have continued to focus on our colleagues and community and I'm pleased to report we have not taken government support or used the furlough scheme, nor made any redundancies as a result of the pandemic. Instead we have been able to increase our headcount in line with the growth we have seen over the period.

Notes

¹ Source: Platforum UK D2C Market Update (June 2021)

² Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2021.

We continue to invest in our people, building our development opportunities, supporting colleague progression and implementing salary increases in line with wider business success. We are proud to have become living wage accredited this year and have continued to expand our support in the community..

In keeping with our CSR strategy to 'Help Bristol thrive' we have focused on supporting the economic recovery in the region. We seconded four colleagues to the Local Enterprise Partnerships recovery taskforce and worked with Bristol City Council to launch a West of England pilot for the #10,000BlackInterns project, providing opportunities for a group disproportionately impacted by the COVID-19 pandemic

In determining Executive Director bonuses, the Committee has taken account of the strong business performance delivered in the difficult external environment outlined above, the improvement to business capability and the strengthening of our corporate culture over the period, alongside the continued strong dividend flow. We acknowledge the significant contribution made by both Chris Hill and Philip Johnson in driving this performance through their leadership and effective stakeholder management. We have considered individual performance based bonus outcomes for the Executive team and recognise that, although they appropriately reflect performance in the round, there were occasions when the overall client experience was not at the high standards we set ourselves. As a result we felt it was appropriate to exercise discretion and reduce their overall 2021 bonus by 5%.

Further details on how bonuses have been determined for the 2021 performance year are set out in the annual report on remuneration.

Areas of focus for the forthcoming year

We intend to build on the review of our remuneration approach throughout the organisation to ensure we remain compliant with our governance and evolving regulatory requirements, and that we are clear, fair and transparent in how we assess and recognise the contribution of all our colleagues and that these reflect our culture and values. In respect of the financial year beginning on 1 July 2021, I would like to highlight the following:

- Executive Director bonus metrics support the growth strategy of the Company and, as such, we have retained our financial/growth metrics (50% weighting) with no changes. However, we have adapted our client metrics so that they reflect our strategic focus on service, technology and risk, supported by our HL Way culture framework. Our client focused metrics (30% weighting) are all aimed at improving the client experience.
- In order to articulate and assess progress across ESG measures, we have adapted the Executive Directors' personal objectives (20% weighting) to reflect more clearly the strong focus across governance and social activity and increased focus on environmental matters, both for the business and our clients' investments.
- Throughout the pandemic, we have focused on doing the right thing for our clients, colleagues, community and shareholders and it is appropriate that we also do the right thing for our Executive Directors. Having recognised their continued excellent delivery over a sustained period of time against personal and business objectives, the Committee, having considered shareholder feedback, has approved salary increases in line with our wider workforce approach. The increases ensure we are able to appropriately motivate and recognise continued strong performance in an increasingly competitive market landscape where this business has significantly increased in scale and complexity over the course of their tenure. The Committee has decided to award the CEO a two-stage salary increase of 8%

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

CONTINUED

for 2021/22 and 4.3% for 2022/23. For the CFO, it was agreed that he will receive a salary increase of 6.8% for 2021/22. Although Philip Johnson has since announced his desire to step down from his position, I would like to clarify that the salary increases relate to the Executive Director roles and, as such, we continue to believe it is right to ensure they are positioned appropriately. These increases are greater than the average salary increase percentage but are in line with our wider workforce approach where we apply a salary increase range depending upon individual performance and market positioning.

Further details are set out on page 109 to 111.

Regulatory developments

The Board and executive team recognise the importance of being able to demonstrate to shareholders and regulators that our remuneration policy encourages the right behaviours to deliver long term sustainable business performance and good client outcomes. Although significantly aligned already to reflect upcoming regulatory changes in the Investment Firm Prudential Regime, we will implement these requirements in line with the required timeframes.

Gender pay and diversity

At HL, we believe in building a diverse and inclusive workforce not just because it is the right thing to do but because it is good for our clients, our business and our people. One of the five pillars of our strategy is to develop a diverse and inclusive culture where colleagues are engaged, empowered, work together and live our values. In 2020 all colleagues were given a goal aligned to this pillar, encouraging everyone to take personal responsibility for building an inclusive culture at HL.

Our inclusion and diversity strategy has three priority areas and an aligned action plan to drive progress. The intended outcome is that we build an inclusive culture and brand where colleagues feel engaged, and we are able to attract a broad pool of talent. Inclusion and diversity is considered against progression and retention of

female and ethnic minority talent at HL and we continue to build accountability into our approach through setting inclusion and diversity objectives with target metrics for Executive Directors, Executive Committee members and senior leaders, and also through the regular tracking of progress at the Executive Committee. In 2020/21 Executive Directors' objectives included quantitative gender targets at a Group-wide level. In 2021/22 this will be broadened to include ethnicity targets.

In the past year, we have revised our strategy to increase the focus on female and ethnic minority representation, alongside inclusion. Some clear successes to date include:

- 72% of colleagues surveyed feel that HL values and promotes employee diversity, with only 7% of colleagues responding unfavourably to this question;
- Exceeding our Women in Finance Charter target of 25-30% senior female representation, reporting 30.4% in this year's submission;
- Signing up to the Race at Work Charter to show our commitment to ensuring ethnic minority employee representation at all levels;
- The important role that our colleague networks play in driving engagement and awareness;
- Inclusive behaviour sessions to support colleagues in achieving their colleague culture objective;
- A review of Board and Committee membership which has significantly reduced the number of all-male Committees and provided more diverse voices across our governance fora;
- Updating employee policies to continue to ensure we support a diverse workforce, including the introduction of a new menopause and menstruation policy; and
- The launch of a sponsorship programme for female and ethnic minority talent.

Our 2020 gender pay gap figures show that we reduced our Median Gender Pay Gap, Mean Bonus Gap and Median Bonus Gap since 2019. Our Mean Gender Pay Gap has increased year on year moving from 12.9% in April 2019 to 17.6% in April 2020. However, this was primarily because at the snapshot date there was an increase in the proportion of men at the most senior levels of the organisation including the Board, which had a significant impact on the mean hourly pay rate. We have already seen this trend reverse for 2021, given increases in female representation at Board and Director level as a result of our strategic focus on hiring more, promoting more and losing fewer senior women.

We have supported the attraction, retention and progression of diverse talent through several external partnerships and engagements:

- Our ongoing participation in the 30% Club's Women Ahead Mentoring programme;
- Nominating colleagues to participate in the Stepping Up programme, an award-winning diversity leadership programme targeting people from ethnic minority groups, women and people with disabilities;
- Launching the West of England Black Interns Pilot, in collaboration with Bristol One City and Bristol City Council, generating over 40 paid internships for black students in the West of England;
- Signing up to participate in the #10,000BlackInterns initiative; and
- Sponsorship of St Paul's Carnival, EPIC Stars Awards to celebrate young people in care, RISE2Inspire black-led mentorship programme to support aspiring entrepreneurs and the Bristol Diversity Awards.

Making progress in the inclusion and diversity space requires long term focus and commitment to drive change. We will report back in next year's Directors' Remuneration Report on the further progress we have made during the year.

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

CONTINUED

Wider workforce

The colleague voice plays a key role in our decision making process, to ensure that we do the right thing for our clients, colleagues and community.

The HL Colleague Forum was set up in January 2019, and focuses on gathering colleague feedback on key strategic decisions including remuneration, culture and strategy. Additional operational focused forums, such as our policy user group, help us to successfully implement our response to the feedback gathered during the Colleague Forum.

In 2020, the Colleague Forum provided feedback on the standardisation of contractual hours, updates to our overtime policy and application for Living Wage Foundation accreditation. The policy user group were used to guide our approach to communicating our pay and bonus policy internally. Overall, colleagues were enthusiastic about the changes and helped to ensure their implementation was successful.

In May this year we asked colleagues to share their views on Executive Pay and the evolution of the remuneration element of our employer value proposition (EVP) to help us continue to shape a proposition that best serves our colleagues while aligning with our wider business strategy and goals.

I attended the feedback session and was pleased to see that the comments largely reflected our thinking on what we are doing well versus what we could improve on. For example, colleagues challenged us to be clearer and more transparent with our pay offering, with plans in place to address these areas. Most colleagues felt the link between executive pay, business performance and the delivery of the strategy was clear and they showed an appreciation for the level of transparency available through the reporting. Encouragingly, colleagues acknowledged the significant improvements that have been made over the last few years to the pay and remuneration element of the EVP and I look forward to seeing the impact once further changes come into effect.

Shareholder engagement

As a new Board member, I invited major shareholders to meet with me over the summer to discuss plans for the evolution of our ESG strategy and assessment of progress as well as to highlight our intent to increase the Executive Directors' salaries. I am grateful for the very positive engagement from our major shareholders and their valuable feedback regarding how we could move forward on ESG.

Contents of this report

On the following pages we set out:

- A summary of the Directors' remuneration policy which was approved at the 2020 AGM on 8 October 2020; and
- The Chair's statement and annual report on remuneration will be subject to an advisory vote at the 2021 AGM.

Moni Mannings

Chair of the Remuneration Committee

8 August 2021

DIRECTORS' REMUNERATION POLICY (SUMMARY)

The Directors' remuneration policy was subject to a binding vote and approved by shareholders at our 2020 AGM held on 8 October 2020. It is intended that it should apply for three years, until our 2023 AGM.

The full Directors' remuneration policy can be found on pages 78 to 85 of the 2020 Report and Financial Statements, which is available

to view on our website at www.hl.co.uk/investor-relations. The tables below summarise the key elements of pay for Executive and Non-Executive Directors.

The Company's Directors' Remuneration Policy ("the Policy") is designed to ensure that remuneration supports the Company's strategic objectives, is appropriately positioned against the

external market, and provides fair rewards that will attract, retain and motivate individuals of the calibre required to run a group of the scale and complexity of Hargreaves Lansdown.

The policy is divided into separate sections for Executive and Non-Executive Directors.

Executive Directors

Component / purpose and link to strategy	Operation and performance measures	Maximum opportunity
Base salary Reflects the individual's responsibilities, experience and contribution. Supports the recruitment and retention of the calibre of individuals required to lead the Company.	Base salaries are reviewed annually, with any increase usually effective from 1 July. Base salaries are set taking into account a range of factors including external remuneration levels and remuneration levels within the Group, as well as an individual's responsibilities, experience and contribution. Base salary will ordinarily increase by no more than the average of relevant employee increases. Any increase beyond this would only be made in exceptional circumstances, which would be explained by the Remuneration Committee. Circumstances in which the Committee may award increases outside this range may include: <ul style="list-style-type: none"> • A change in the scope and/or size of the Executive Director's role and/or responsibilities; • Performance and/or development in role of the Executive Director; and • A material change in the Group's size, composition and/or complexity. 	No absolute maximum increase.
Benefits An 'across the board' benefits package is available both to employees and Directors alike. Supports the recruitment and retention of the calibre of individuals required to lead the Company.	The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to all eligible employees and the external market. Where costs are necessarily incurred in the performance of duties on behalf of the Company, those costs will be reimbursed in full, e.g. travel, accommodation, subsistence, relocation, and any tax and social costs arising. Provision of tax efficient benefits such as additional holiday, childcare vouchers and workplace parking is available through a salary sacrifice mechanism. Other benefits include (but are not limited to) Group life insurance and Group income protection, as well as participation in the Save As You Earn scheme.	While no absolute maximum level of benefits has been set, the level of benefits provided is determined taking into account individual circumstances, overall costs to the business and market practice. In approving the benefits paid, the Committee will ensure that they do not exceed a level which is, in the Committee's opinion, appropriate given the Executive Director's particular circumstances.
Pension Provides adequate pension saving arrangements for Directors and employees. Supports the recruitment and retention of the calibre of individuals required to lead the Company.	Pension provision is provided in line with the pension provision available for all employees. Any changes made to the employee arrangements will be carried across to the Directors. The Committee may amend the form of any Director's pension arrangements in response to changing pension legislation or similar developments, so long as any amendment does not increase the cost to the Company of a Director's pension provision by any greater percentage than the increase to the provision for all other employees. The Company will contribute, on the same basis as the pension provision available to all employees to a savings vehicle where a Director has reached the Lifetime Allowance, would exceed any pension contribution limits in any year, or has elected to protect their Lifetime Allowance. Alternatively if, in these circumstances, the Director does not wish to contribute to a savings vehicle, a cash allowance will be paid. All employees and Directors may waive an element of their Annual Performance Bonus in return for a corresponding employer's contribution into their pension.	The Group provides a matched employer contribution of 5% of base salary. Where employees make additional contributions of over 5% of salary, these will be double matched by the Company, up to a maximum of 11% of salary. The maximum contribution available to the Directors is 11% of salary, in line with the wider workforce rate. The maximum cash alternative is 5%. Any contribution paid as a result of waiver of the cash element of an Annual Performance Bonus will not be counted towards these maxima and will not attract matched funding.

DIRECTORS' REMUNERATION POLICY (SUMMARY)

CONTINUED

Component / purpose and link to strategy	Operation and performance measures	Maximum opportunity
<p>Annual Performance Bonus Rewards achievement of the Group's business plan, key performance indicators and the personal contribution of Directors. Aligns the interests of Directors with those of shareholders.</p>	<p>The level of annual performance bonus payable is linked to key financial and non-financial metrics as well as corporate and individual performance against objectives.</p> <p>The on-target bonus for each Director as a percentage of base salary will be disclosed in advance in the annual report on remuneration for each year. The on-target award level for the CEO will be reduced to 50% of the maximum opportunity over the life of this policy.</p> <p>For each performance element of the bonus, 25% of the maximum opportunity will be paid for the attainment of threshold performance.</p> <p>Performance will be assessed against a combination of financial/growth, non-financial and individual performance measures with at least a 50% weighting allocated to financial/growth measures, and no more than 20% allocated to individual performance. In assessing the overall performance outcome, the Remuneration Committee will use its judgement to consider:</p> <ul style="list-style-type: none"> • The extent to which market movements, investor sentiment, interest rates and regulation, all of which are beyond the control of the Directors, have impacted the performance. This may result in either reductions or increases in the awards that would otherwise have been granted; • The extent to which management has operated within the agreed risk parameters; and • The extent to which the bonus outcome reflects the overall performance of the business, including in the context of the shareholder experience. <p>A minimum of 40% of the Annual Performance Bonus is subject to compulsory deferral over three years. Where required by regulation, deferral will be increased to ensure compliance with regulatory deferral levels for all variable pay.</p> <p>Awards will be delivered in an appropriate combination of cash and shares, in line with prevailing regulatory requirements, with a minimum of 50% delivered through HL plc shares. The combination of cash and shares will be determined each year by the Committee.</p> <p>Vesting will occur over a period of three years. Vested shares will be subject to a further retention period as required under regulation.</p> <p>Subject to regulatory requirements, dividend alternatives will accrue on deferred awards up to the vesting date and will be paid as soon as practical after exercise of the award.</p> <p>Awards are subject to a formal malus mechanism until vesting. Awards are subject to clawback until the later of three years from the date of award or the end of any post vesting retention period. Further details of malus and clawback provisions are set out on page 81 of the 2020 Report and Financial Statements.</p>	<p>The maximum bonus opportunity for Directors under the current policy is as follows:</p> <ul style="list-style-type: none"> • CEO: four times base salary. • CFO: three and a half times base salary.

DIRECTORS' REMUNERATION POLICY (SUMMARY)

CONTINUED

Component / purpose and link to strategy	Operation and performance measures	Maximum opportunity
Sustained Performance Plan	<p>Aligns the interests of Directors with those of shareholders and rewards long-term stewardship of the Company.</p> <p>Annual awards over HL plc shares will vest over a five year period, subject to the achievement of underpinning performance conditions over a period of three financial years beginning from the financial year in which awards are granted. Vested shares will be subject to a further retention period as required under regulation.</p> <p>The grant of awards will be subject to satisfactory personal performance of each Director in the period prior to grant. The underpinning performance conditions applicable for each award will be disclosed up front in the remuneration report.</p> <p>Subject to regulatory requirements, dividend alternatives will accrue on unvested awards up to the vesting date and will be paid as soon as practical after exercise of the award.</p> <p>Awards are subject to a formal malus mechanism until vesting. Awards are subject to clawback until the end of any post vesting retention period. Further details of malus and clawback provisions are set out on page 81 of the 2020 Report and Financial Statements.</p>	<p>The maximum award each year under the Policy is half times base salary.</p>
Shareholding Guideline	<p>Aligns the interests of management and shareholders to the success of the Group.</p> <p>All Executive Directors are expected to hold a number of shares in the Company, with a specific market value expressed as a percentage of their salary, within a reasonable timeframe (typically within six years of appointment).</p> <p>The current shareholding guideline for Directors is a minimum value of three times base salary.</p> <p>Vested and unvested (net of tax) awards under the annual performance bonus are included in the calculation of a Director's shareholding for this purpose. Unvested awards, no longer subject to performance conditions (net of tax) under the Sustained Performance Plan are also included.</p> <p>Reflecting best practice, there is a post-cessation shareholding guideline in place, which applies for two years following cessation of employment. Upon ceasing to be employed, Directors will be required to retain a shareholding equal to their shareholding guideline, or the number of shares actually held on departure, whichever is the lower, for twenty four months. This will not include shares purchased or awarded to Directors upon recruitment in respect of any buyout award. Nor will it include shares vested prior to the 2020 AGM.</p>	<p>Not applicable.</p>

DIRECTORS' REMUNERATION POLICY (SUMMARY)

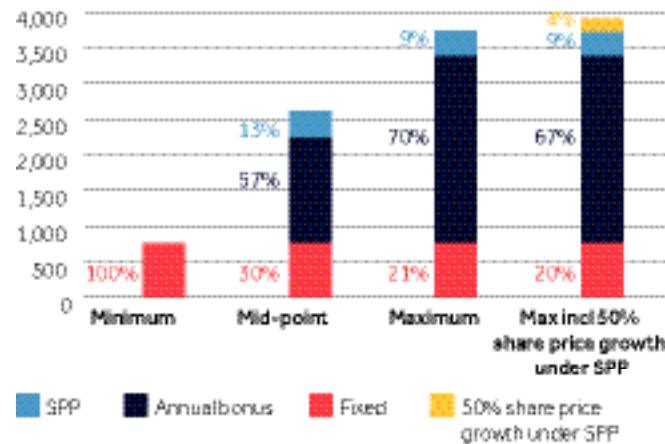
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Illustration of application of Remuneration Policy

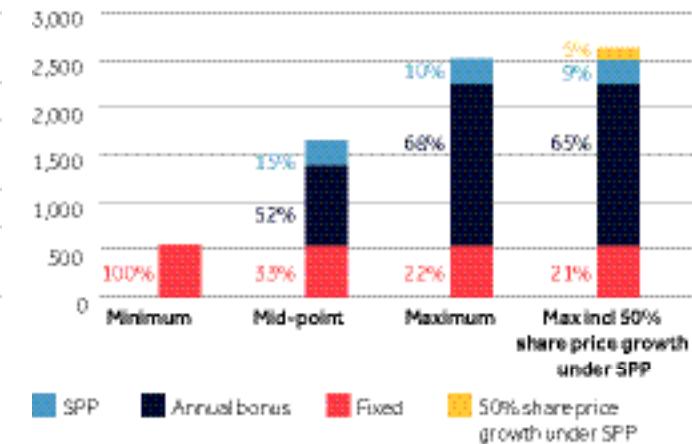
The Committee discloses each year in the Group's Report and Financial Statements a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart shows the potential value of the current Executive Directors' remuneration for the forthcoming year for three scenarios: minimum, mid-point and maximum scenario as follows:

- The minimum amount represents the unconditional component of the remuneration package: salary, pension and employee benefits;
- The mid-point amount is the amount the Executive Director will receive if they achieve an on-target bonus level and awards under the Sustained Performance Plan vest in full. It will include both fixed and variable components of remuneration; and
- The maximum level is the maximum amount of remuneration each Executive Director can be awarded in the year. The maximum is subject to remuneration caps that have been established for each component. Within the scenario charts, the final scenario on the right hand side sets out the impact on the SPP award of a 50% appreciation in the Company's share price during the relevant period. →

Chris Hill – Remuneration opportunity for 2021/22 (£'000s)



Philip Johnson – Remuneration opportunity for 2021/22 (£'000s)



Notes

- 1 Chart for Chris Hill shows that on-target bonus for the 2021/22 performance year will decrease to 212.5% and maximum bonus opportunity will increase slightly to 375% of applicable salary for 2021/22
- 2 Chart for Philip Johnson shows that on-target and maximum bonus opportunity, based on applicable salary for 2021/22, remain the same for the 2021/22 performance year

DIRECTORS' REMUNERATION POLICY (SUMMARY)

CONTINUED

Non-Executive Directors

Component / purpose and link to strategy	Operation and performance measures
Base Salary Supports the attraction and retention of high performing individuals, considering both the market value of the position and the individual's skills, experience and performance.	Non-Executive Directors are paid an annual base fee with fees for additional roles (for example, Senior Independent Director or Chair of a Board Committee and/or Chair or member of a Group company board). The Chair's and Non-Executive Directors' basic fees are reviewed annually and any increases, if applicable, are normally effective from 1 July. The fee levels are set taking into account relevant factors, such as time commitment and market data for comparable positions, and taking account of the time commitment required for the role. All Non-Executive Directors' fees including those below are paid in cash on a monthly basis or such other frequency as determined by the Board. The Non-Executive Directors are not eligible for bonuses, pension or to participate in any Group employee share plan.
Committee Chair fees Recognises the additional time commitment and responsibility involved in chairing a Committee of the Board.	Each Non-Executive Director receives an additional fee for each Committee for which they are Chair. The Committee Chair fees reflect the additional time and responsibility in chairing a committee of the Board, including time spent liaising with management and preparing for a committee of the Board.
Senior Independent Director (SID) fee Recognises the additional time commitment and responsibility involved in holding the role of the SID.	The SID receives an additional fee for his or her role. The fee reflects the additional time and responsibility in fulfilling the role of Senior Independent Director.
Benefits and expenses To appropriately reimburse the Chair and Non-Executive Directors for out-of-pocket expenses incurred in the fulfilment of their responsibilities and any tax and social costs arising.	Non-executive directors may be eligible to receive benefits such as travel and other reasonable expenses. Where costs are necessarily incurred in the performance of duties on behalf of the Company, those costs will be reimbursed in full, e.g. travel, accommodation, subsistence, relocation, and any tax and social costs arising. Expenses may be claimed by the Chair and Non-Executive Directors in line with the Company's expenses policy. Appropriate Director insurance and indemnity cover is provided by the Company. Some Group services are provided at a reduced cost, on the same basis as for all other employees. Where benefits are provided to non-executive directors, they will be provided at a level considered to be appropriate, taking into account individual circumstances.

DIRECTORS' REMUNERATION POLICY (SUMMARY)

CONTINUED

In accordance with the Company's Articles of Association, the maximum aggregate remuneration for the Non-Executive Directors is £1,500,000 per annum. This limit will be reviewed by the Board from time to time to ensure that it remains appropriate.

External Board appointments

The Company recognises that external Non-Executive Directorships are beneficial to both the Director and the Company and that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit the Company. Subject to approval by the Board, Executive Directors are allowed to accept two non-executive appointments (limited to one in the FTSE100) and retain the fees received, provided that the appointment is not likely to lead to conflicts of interest.

Annual Report on Remuneration

This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups Regulations 2013, as amended. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. The Remuneration Committee confirms throughout the financial year that the Company has complied with these governance rules and best practice provisions.

Role of the Remuneration Committee

The Board remains ultimately accountable for executive remuneration but has delegated this responsibility to the Remuneration Committee.

The Remuneration Committee is therefore responsible for determining the Remuneration Policy for the remuneration of the Executive Directors of the Company and of the subsidiary companies, the Chair, other members of executive management and all other employees who are deemed to be Material Risk Takers. The Committee shall also review workforce remuneration and related policies, and the alignment of incentives and rewards with the Group's culture and defined behaviours, taking these into

account when setting the policy for plc executive director remuneration. The policy is determined with due regard to the interests of the Company, the shareholders and the Group, with the objective of being able to attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than is necessary.

The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration packages is also undertaken by the Committee. For individuals below the Executive Committee, there is a sub-committee (the Reward Governance Committee) for the review of remuneration structures and outcomes consisting of the Chief Executive Officer, Chief Financial Officer, Chief People Officer and Group Chief Risk Officer, which reports and refers decisions to the Committee for final approval where relevant.

The Committee also ensures that the remuneration relationship between the Executive Directors and senior employees of the Group is appropriate and that the Remuneration Policy complies with the relevant FCA Remuneration Codes. Any exceptional remuneration arrangements for senior employees are approved by or advised to the Committee.

UK Corporate Governance Code

When considering the policy, the Committee was mindful of the UK Corporate Governance Code and believes that the executive remuneration framework addresses the following principles:

- **Clarity** – The Committee believes that the remuneration framework should be clear and transparent. The annual report has enhanced disclosure on variable pay and the performance measures for the annual bonus have been simplified, with attached weightings for each measure being disclosed going forward.
- **Simplicity** – The remuneration arrangements for Executive Directors are well understood by both participants and shareholders. The structure consists of fixed pay, annual bonus award (including deferral) and the SPP (restricted share award).

- **Risk** – The remuneration framework has been designed to mitigate risk where appropriate. The Committee reviews adherence to the Group's risk parameters as part of its determination of variable pay outcomes and malus and clawback provisions apply to both the annual bonus and SPP award. In the current policy, these provisions have been enhanced to include corporate failure.

- **Predictability** – In the Report and Financial Statements, the potential value of the Executive Directors' remuneration packages at threshold, target and maximum scenarios (plus with 50% share price appreciation) have been provided. In addition, the Policy also states the maximum annual bonus and SPP opportunity as a percentage of salary.

- **Proportionality** – The Committee strongly believes that poor performance should not be rewarded. The annual bonus requires performance against stretching measures and the SPP award has a robust underpin. The underpin measures both financial and non-financial performance, reflecting the Group's strategic priorities.

- **Alignment to culture** – The remuneration framework has been designed to support both the Group's culture, purpose and values. The performance measures and underpins of the variable pay awards have been chosen to drive desired behaviours the HL Way and are aligned to the strategy of the business.

ANNUAL REPORT ON REMUNERATION

Meetings during the year

There were eight scheduled meetings during the year and additional ad hoc meetings where required. Meetings were chaired by Fiona Clutterbuck until she stood down in October 2020, then chaired by Moni Mannings for the remainder of the financial year. Other members were Deanna Oppenheimer and Dan Olley for the full year, and Shirley Garrood and Stephen Robertson for part of the year having stood down in October 2020 and December 2020 respectively.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

Member	Position	Eligible meetings	Attended meetings
Moni Mannings	Chair	•••••	•••••
Fiona Clutterbuck	Chair	•••	•••
Deanna Oppenheimer	Non-Executive Director	•••••••	•••••••
Dan Olley	Non-Executive Director	•••••••	•••••••
Shirley Garrood	Non-Executive Director	•••	•••
Stephen Robertson	Non-Executive Director	•••	•••

During the year the Committee has undertaken activities as set out below and, in doing so, confirm that there have been no deviations from the procedure for implementation of the policy in this financial year:

- Reviewing and approving the Directors' Remuneration Policy and considering our remuneration approach for 2021/22;
- Consideration of the Directors' remuneration report in the 2020 Report and Financial Statements, and all of the feedback received from institutional shareholders;

- Reviewing our approach to business and individual performance measures, targets and weightings, with a particular focus on ensuring they reflect ongoing ESG initiatives and strategy;
- Considering shareholder engagement approach regarding ESG measures and Executive Director remuneration;
- Receiving and noting regulatory and governance updates to keep abreast of best practice;
- Considering a formal assessment of risk performance in relation to remuneration;
- Reviewing and agreeing performance bonuses for the Executive Directors as well as other Material Risk Takers (MRTs);
- Reviewing and approving Executive Directors' objectives and performance measures;
- Reviewing the approach to proportionality and the approach for the identification of MRTs under CRD IV, AIFMD and UCITS V;
- Reviewing the remuneration policy for the wider workforce, including assessing progress towards achieving Director shareholding requirements, and approving new malus and clawback, and MRT policies;
- Approving the Living Wage Accrediation and the annual Save As You Earn scheme invitation and terms;
- Receiving reports and overseeing decisions and recommendations made by the Reward Governance Committee;
- Reviewing and approving the required Remuneration Code disclosures;
- Reviewing colleague feedback on remuneration, culture and strategy via the Colleague Forum;
- Reviewing the gender pay gap reporting covering the snapshot date of 5 April 2020 and noting management's action plan to address the gender pay gap; and

- Reviewing and approving an updated Terms of Reference for this Committee.

The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at www.hl.co.uk/about-us/board-of-directors.

Advice to the Committee

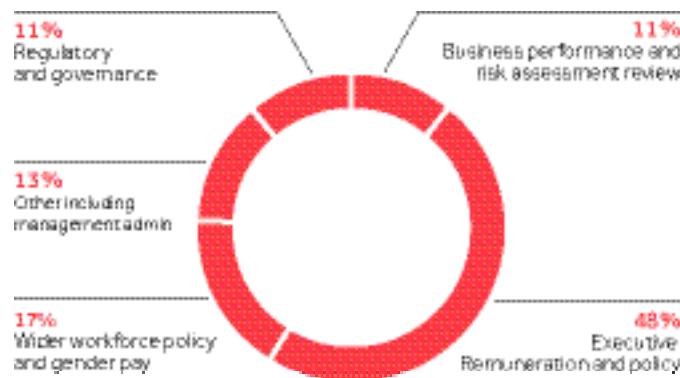
During the year, the Committee has been supported by the Company Secretary, Chief People Officer, Head of Performance and Reward, and Chief Executive Officer who are invited to attend Committee meetings to provide further background information and context to assist the Committee in its duties. The Group Chief Risk Officer also provides a formal risk assessment to the Committee at mid year and at the end of the financial year which assesses performance of the business against risk appetite, key risk indicators, and includes an assessment of risk events and conduct breaches to ensure second line input into proposed remuneration outcomes. No Director was involved in decisions regarding the determination of their own remuneration.

The Committee approved the reappointment of Deloitte LLP, a previous advisor to HL and signatory to the Remuneration Consultants Group's Code of Conduct for the provision of independent remuneration advice, and throughout the year have been advised by them. The advisers review all committee papers and provide input on matters directly to the Committee as well as attend committee meetings. As such, the Remuneration Committee is satisfied that the advice it has received was objective and independent. The fees payable to Deloitte for this advice were based on services provided against a scope of services approved by the Committee and amounted to £63,400 plus VAT. Other services provided to Hargreaves Lansdown by Deloitte LLP during the year consisted of risk advisory, tax, consulting and internal audit services on a co-sourced basis. →

ANNUAL REPORT ON REMUNERATION

CONTINUED

Overview of activities during the financial year



Consultation with employees

The HL Colleague Forum was set up to create a feedback channel directly between colleagues and the Board on matters of strategic importance. During the year, the Forum considered culture at HL, focusing on inclusion and diversity, pay and development, and our strategy.

In 2021, the Colleague Forum discussed the factors considered when a) setting executive pay, b) the differences between executive pay and our approach for the wider workforce and c) how business performance is measured, including the alignment to objectives and ESG. The Forum recognised the complexities involved and drew out the importance of clear and transparent alignment with business performance, colleague satisfaction and delivery against our strategy. The majority of colleagues commented that there was alignment and there was also clear support for executive share ownership, noting that it was important they had 'skin in the game'.

Consideration of employment conditions elsewhere in Company

The Committee considered the Company's remuneration principles which apply across the Group when determining the Executive Director Policy outlined above. In particular, the approach taken to salary increases and that the structure of the annual bonus aligns closely to the approach generally taken across the wider workforce, and the same SPP structure is used for all participants within the plan.

Over the year, we have adopted an 'Always Listening' strategy to enable us to better consider the voice of our colleagues when making decisions.

Executive Director Remuneration for 2021

Remuneration payable for the 2021 financial year (1 July 2020 to 30 June 2021) (Audited)

The remuneration policy operated as intended in the financial year with remuneration received by Executive Directors in relation to performance in 2021 set out below:

Single Total Figure Table

Name of Director	Year	Gross Basic Salary £'000	Other taxable benefits ¹ £'000	Annual Bonus			Employer Pension contribution ³ £'000	Total Remuneration £'000	Total Fixed Remuneration £'000	Total Variable Remuneration £'000
				Upfront cash £'000	Deferred shares £'000	LTIP / SPP ² £'000				
Chris Hill	2021	648	1	1,175	783	–	71	2,678	720	1,958
	2020	630	6	1,243	829	–	32	2,740	668	2,072
Philip Johnson	2021	459	1	785	523	–	50	1,818	510	1,308
	2020	446	5	870	580	–	22	1,923	473	1,450

Notes

1 This includes Medical, PMI and no SAYE discount value over the term of the savings contract as this was reported last year.

2 Sustained Performance Plan (SPP) is our Long Term Incentive Plan (LTIP), which was approved at the 2017 AGM and granted in November 2017. Subject to underpinning performance conditions these awards will start to vest in 2022. No SPP award has vested and therefore none of the SPP is attributable to share price growth.

3 This includes employer pension contributions and any pension allowance paid in lieu of pension contributions.

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Other than SAYE options (which are available to Executive Directors on the same basis as all employees and included in other cash benefits), and the awards made to Chris Hill on joining, no share options without performance criteria have been granted to Executive Directors since 7 March 2012.

Where eligible, benefits in kind are available to Executive Directors on the same basis as other employees. For 2021, benefits include Life Insurance, Income Protection, Private Medical Insurance, Save As You Earn (SAYE) scheme, reduced platform fees for holding assets on the Group's investment platform, reduced dealing charges for self and connected persons and access to a range of voluntary benefits such as Critical Illness cover.

No Executive Director has a prospective entitlement to a defined benefit pension by reference to their length of qualifying service.

Assessment of annual performance for the 2021 financial year (1 July 2020 to 30 June 2021)

The value of any bonuses payable to Executive Directors was determined by the Committee based on:

- An assessment of the performance of the Group against financial/growth, client, colleague and delivery measures, including an assessment of risk performance and risk events as detailed below; and
- Each individual's performance, including progress against the specific objectives set for them as well as an assessment of risk management and compliance and their behaviours aligned to the Group's values.

The Committee approved the retention of the simplified three key metrics for the 2020/21 award, with 50% of the award based on financial/growth metrics, 30% based on client, colleague and strategic delivery metrics and 20% against individual objectives. Further details are set out below.

The Committee's determination was undertaken, taking all factors into account and using all relevant information. For each Executive Director, their overall bonus was determined by reference to the following target and maximum levels, as disclosed in the 2020 Report and Financial Statements:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225%	350% ¹
Philip Johnson	175%	350%

Notes

1 The maximum bonus opportunity for Chris Hill is 350% for the 2020/21 performance year, and will increase to 400% by the 2022/23 performance year

The total value of any bonuses payable to both Executive Directors and other members of the Executive Committee is subject to a cap of 5% of profit before tax, in line with the policy.

Group performance has been considered in relation to the following measures:

Financial/growth – 50%	Client, colleague and delivery – 30%	Individual – 20% ¹	
		CEO	CFO
Net new business	Client retention	Scale and client service	Scale and sustainable business
Client numbers	Colleague advocacy (engagement)	Reputation	Resources to deliver strategy
Profit before tax	Strategic delivery	Governance, risk and culture	Governance, risk and culture

Notes

1 Assessment of performance will take account of both delivery (what) and demonstrations of behaviours aligned to HL's values (how).

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Details of performance in each of these areas is set out below:

Financial / Growth (50% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Net new business	£4.0bn	£5.0bn	£7.7bn	£8.7bn	100%	An exceptional performance with net new business above a very ambitious stretch target and prior year (£7.7bn) driven by organic client growth and increased investor confidence. The Committee recognised this very strong performance despite an uncertain external environment and significant volatility throughout the year.
Client numbers	1,419,000	1,509,500	1,600,000	1,644,703	100%	Exceptional performance with 233,000 net new clients (188,000 last year). The Committee noted the further impact of a very effective marketing approach with increased account opening as well as new clients. The Committee also noted continued growth in market share (41.1% to 42.9% in the platform market and 39.5% to 43.3% in the UK execution only stockbroking market).
Profit before tax	£240.0m	£272.7m	£339.5m	£366.0m	100%	The Committee noted exceptional performance through very strong revenue numbers, strong cost control, excellent focus on trading volumes and strategic decisions regarding investment.
Overall achievement 50% of 50% weighting						

Client, colleague and delivery (30% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Client retention	90%	92.8%	94%	92.1%	44.6%	A good overall performance recognising client retention is slightly below last year (92.8%). The Committee noted the measures put in place by management to maintain client service during a year of extremely high volumes and disruption to colleague working patterns.
Colleague engagement	59	63	67	66	87.5%	Very strong performance supported by many other positive results from the colleague survey, including leadership, management and culture measures. The Committee noted the extensive support provided over the year in response to the significant personal challenges and disruption experienced by our colleagues. The Committee also noted the progress made in developing HL's culture through a Strategy on a Page engagement programme, launch of the HL Way and continued empathetic leadership throughout the year.
Strategic delivery	0	50%	100%	75%	75%	The Committee noted very strong marketing performance and the positive impact of combining client service and support activities into one Service function. The Committee noted the good progress made in delivering the technology and data strategy, the addition of new features to the proposition and improvements across best practice, governance, controls, capability and risk management. In addition the Committee noted the resilience of core systems and high systems availability together with management's quick response to restore service availability during surges of client activity and acknowledged the impact high volumes had on management's ability to deliver the full strategic plan.
Overall achievement 20.7% of 30% weighting						

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The Committee assessed each individual Executive Director's performance during the financial year, including against their personal objectives, as follows:

Chris Hill

Individual Objective	Evidenced by:	Assessment and Calibration Approach	Stretch	Achievement
Define and shape the business to thrive at scale whilst maintaining market leading client service	Market share	Target to maintain market share (based on Platforum and Compeer)	<ul style="list-style-type: none"> • Materially increased our market share growth compared to prior year for both Platforum (42.5%) and Compeer (43.3%). 	Stretch
	Client advocacy	Clients rating HL as Excellent	<ul style="list-style-type: none"> • Achieved client advocacy of 28.9%, which is above the target set for 2020/21. 	
Proactively manage the reputation of the Group across all stakeholders	Reputation	Reputational risk scorecard assessment	<ul style="list-style-type: none"> • Achieved an above target rating on our reputational risk scorecard assessment. 	Above Target
Shape a well governed organisation that operates within the Board's risk appetite	Applying best practice	Qualitative assessment of outcome (efficiency, costs, service, colleague survey)	<ul style="list-style-type: none"> • Sound progress in delivering organisation changes required to improve efficiency, cost and service. 	Above Target
	Effective controls and processes	Management of assurance actions, improving control environment, progress made in risk management, errors and complaints	<ul style="list-style-type: none"> • Generally strong progress made against our risk management objectives for the business. • Compared to prior years, errors were significantly lower, although the Committee noted that there was room for improvement in complaint levels. 	
Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values	Diversity	Women in Finance: 25-30% women in senior roles Hampton-Alexander: 33% women on boards and in leadership roles. Qualitative assessment of progress made in developing and implementing HL's inclusion and diversity strategy	<ul style="list-style-type: none"> • Strong progress made against our diversity objectives due to the CEO's continued focus on this area. • Increased the number of women in senior roles to 30.1%, which was the top of our ambition of reaching 25% to 30%. • Made significant progress in relation to our Hampton-Alexander objective, achieving an increase of 7.6% compared to prior year in respect of having a greater proportion of women on the Board and in leadership roles. • Inclusion strategy delivered and ethnic minority targets agreed for the 2021/22 performance year. 	Stretch
Overall assessment	The Committee concluded that the CEO had achieved very strong delivery and contribution to performance in exceedingly challenging circumstances, guided by vision, talent and a strong set of values. Preparation last year and into this year in the face of Covid-19 ensured record levels of business and resiliency across systems and processes. His leadership and growth as a leader has been evident in the results above and through increased capability across his leadership team. He has continued to implement key governance changes as well as prioritising critical actions in order to progress the transformation journey which will allow us to thrive at scale.			

Overall achievement: 18% out of 20% weighting

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Philip Johnson

Individual Objective	Evidenced by:	Assessment and Calibration Approach	Stretch	Achievement
Shape a sustainable business model to thrive at scale and deliver long term financial results.	Liquidity	Management of capital and liquidity vs operational performance and dividends	<ul style="list-style-type: none"> Capital and liquidity position for the business is very strong. 	Above Target
	Scalability	Implementation of new organisational alignment and induction of key new hires. Qualitative assessment of outcome, colleague survey feedback	<ul style="list-style-type: none"> Implementation of Service team with positive impact. The embedding of new hires will continue to be an area of focus for the forthcoming year. 	
Balance resources across the Company to support delivery of the strategy and maintain service levels	Client service	Operations service including CASS breaches Complaints	<ul style="list-style-type: none"> Strong performance with regards to CASS, with improvement compared to prior year. Progress made with regards to the complaints, although the target was not achieved. 	Target
	Efficiency	Qualitative assessment of outcome (efficiency, costs, service, colleague survey)	<ul style="list-style-type: none"> Maintained progress against efficiency targets measured as costs per client. 	
Evolve and communicate the strategy within an effective risk framework	Investor relations	Qualitative assessment of investor feedback, level of engagement and register evolution	<ul style="list-style-type: none"> Despite disruption due to COVID-19, we held over 200 meetings with investors, including participation at conferences to enable a steady stream of dialogue with potential investors, and engagement with over 75% of our shareholding. 	Above Target
	Risk management	Audit, risk and compliance actions CASS breaches	<ul style="list-style-type: none"> Strong performance against our audit, risk and compliance actions, including CASS. This included achieving no overdue high impact actions. 	
Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values	Colleague	Colleague engagement in own area and in HL overall through colleague survey results	<ul style="list-style-type: none"> Achieved an improvement in colleague survey results from prior year by 4%. 	Above Target
	Diversity	Diversity of ExCo and leadership team	<ul style="list-style-type: none"> At Group level, increased the number of women in senior roles to 30.1%, which was the top of our ambition of reaching 25% to 30%. Actions in place to address ethnic minority diversity in line with the inclusion and diversity strategy. 	
Overall assessment	The Committee concluded that the CFO had made a significant contribution to resilience and liquidity of the business whilst also delivering an excellent investor relations programme. Through personal leadership, he successfully brought together the service functions to manage exceptional volume and increased scale of the business whilst maintaining quality. The CFO has made a valued contribution to performance throughout the year and, in delivering against his personal objectives, demonstrated a strong set of values, leadership and talent in extremely challenging circumstances.			

Overall achievement: 15% out of 20% weighting

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Overall assessment and bonuses awarded for the financial year

(1 July 2020 to 30 June 2021) (Audited)

The Committee considered all of the above (including assurance against environmental, social and governance risk factors) in making their bonus determination for Chris Hill and Philip Johnson for the 2021 financial year.

In addition, it also considered the extent to which performance (both Group and individual) has been achieved within the agreed risk parameters, based on an assessment from the Group Chief Risk Officer, and the extent to which the bonus outcome reflects the overall performance of the business in the context of the client and shareholder experience. The Committee noted also that the Company did not take any Government support over the year and, instead, increased headcount in line with the growth seen over the period.

The Committee concluded that the bonus outcomes for Chris Hill and Philip Johnson reflect the strong levels of Company performance during the year, as well as the high levels of leadership shown by both, including their performance against individual objectives and Company values. Finally, the Committee considered individual performance based bonus outcomes for the Executive Team and recognised that, although the outcomes appropriately reflect performance in the round, there were occasions when the overall client experience was not at the high standards we set ourselves. As a result the Committee felt it was appropriate to exercise our discretion and reduce the overall 2021 bonus outcomes by 5%.

The resulting bonuses determined by the Committee for the year ending 30 June 2021 are set out below:

	Cash £'000	Deferred £'000	Total £'000	% of maximum
Chris Hill 2021	1,175	783	1,958	86% ¹
Chris Hill 2020	1,243	829	2,072	94%
Philip Johnson 2021	785	523	1,308	81% ²
Philip Johnson 2020	870	580	1,450	93%

Notes

1 Having applied the performance outcome to the CEO's on-target and maximum bonus opportunity (on a straight line basis), this results in a bonus of 302% of salary which is 86% of his maximum opportunity

2 Having applied the performance outcome to the CFO's on-target and maximum bonus opportunity (on a straight line basis), this results in a bonus of 285% of salary which is 81% of his maximum opportunity

Deferral of annual performance bonuses

40% of the annual performance bonus is subject to compulsory deferral into nil-cost options over shares which vest in equal tranches over a period of three years. Dividend alternatives will accrue on

the deferred share element of bonuses up to the time of vesting and will be paid at exercise. Individuals have a right to exercise deferred awards after their respective vesting date provided they remained employed by the Group at exercise.

Malus and clawback

Annual bonus and SPP awards are subject to malus and clawback provisions in exceptional circumstances. In addition, the Committee can defer a decision to award bonuses, or award and suspend payment of bonuses, and/or vesting of deferred bonus and/or SPP awards for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year. The triggers that apply to malus and clawback under all incentive plans are set out at page 81 of last year's report.

Share awards made during the year ending 30 June 2021 (audited)

Name of Director	Type of award	Market value of maximum award at date of grant £	Exercise price £	Share price on day of grant £	Number of shares over which the award was granted ⁵	Face value ¹ of award £	Fair value ² at date of grant £	% of face value that would vest at threshold	Performance period
Chris Hill	SPP ³	315,000	Nil cost option	15.71	20,050	315,000	315,000	n/a	1 July 2020 to 30 June 2023
		Deferred bonus ⁴	1.00	16.46	50,352	828,793	828,793	n/a	
Philip Johnson	SPP ³	223,000	Nil cost option	15.71	14,194	223,000	223,000	n/a	1 July 2020 to 30 June 2023
		Deferred bonus ⁴	1.00	16.46	35,236	579,984	579,984	n/a	

Notes

1 Face value is calculated as the share price at grant date (being 9 October 2020) multiplied by the number of options granted.

2 Fair value is calculated as the difference between market value and the exercise price at the original date of grant.

3 Awards under the SPP were granted on 9 October 2020 as nil cost options, at 50% of base salary subject to the achievement of underpinning performance conditions and will vest over five years. The underpinning performance conditions are:

- A requirement for average AUA for the last complete financial year prior to vesting to be above the average AUA for the last complete financial year prior to award;
- Maintenance of a satisfactory risk, compliance and internal control environment across the plan period; and
- Satisfactory personal performance throughout the plan period.

4 Awards under the deferred bonus were granted at 40% of bonus. The aggregate exercise price for awards under the deferred bonus scheme is £1 and were granted on 18 September 2020.

5 The number of shares to be awarded is calculated by reference to the average of the mid-market value of HL shares on the three days preceding the date of award.

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All-employee share plans

The Company operates a SAYE share option scheme on the same terms for all employees. All employees are encouraged to become shareholders, both through direct ownership or through participation in the share scheme. At the end of the latest financial year, 30% of the Group's employees owned shares in the Company. Both Executive Directors opted to participate in the 2020 cycle of the SAYE scheme.

Executive Directors' shareholding and share interests (audited)

The current guideline for Executive Directors to accumulate minimum personal holdings in Hargreaves Lansdown plc shares amounts to a value of three times base salary within six years of appointment to the Board.

Current shareholdings are summarised in the following table:

Name of Director	Beneficially owned at 30 June 2020	Beneficially owned at 30 June 2021 ²	Outstanding share options subject to continued employment arising from SAYE scheme	Outstanding share options subject to continued employment arising from deferred bonus	Outstanding share options subject to performance conditions and continued employment arising from sustained performance plan	No. of share options exercised in year	No. of share options vested but unexercised at 30 June 2021	Shareholding guideline (multiple of base salary)	Shareholding as a multiple of base salary achieved at 30 June 2021	Shareholding guideline met
Chris Hill	29,260	51,639	1,547	81,051	67,962	42,226 ¹	0	Three times	1.27	No ³
Philip Johnson	32,314	40,348	1,547	53,240	48,131	11,516 ¹	0	Three times	1.40	No ³

Notes

1 Options exercised granted under 2017 Deferred Bonus Plan. The market value at the date of exercise was £16.93 per share and the option exercise price in aggregate was £1.00.

2 Includes shares held by the Executive Directors and their connected persons.

3 Unaudited - Although the Executive Directors have not currently met their shareholding guideline, they are on track to do so within the relevant time period of six years.

All Executive Directors are subject to post-cessation shareholding in line with the policy which may include holding shares in a nominee arrangement.

There has been no subsequent change in Executive Directors' shareholding and share interests as of 4 August 2021.

Pension

No Directors or employees participate in a defined benefit pension scheme.

The Group operates its own Group Self Invested Personal Pension (the GSIPP) which applies to Executive Directors and employees. The Company requires a minimum employee contribution of 5% of reference salary and in exchange the Company will contribute 5%. Employees who contribute up to 3% more than the 5% receive double matching. This means that for an 8% employee contribution the Company contribution is 11%.

Colleagues wishing to make additional contributions to the GSIPP can do so via salary exchange or bonus waiver ensuring that they benefit from the maximum, immediate relief from income tax and National Insurance.

Sourcing shares

The Investment Association guidelines on sourcing shares have been followed and, in line with the scheme rules, the Company has not issued shares under all employee schemes which, when aggregated with awards under all of the Company's other schemes, exceed 10% of the issued ordinary share capital in any rolling 10 year period. The Company has also not issued new shares under executive (discretionary) schemes which exceed 5% of the issued ordinary share capital of the Company in any rolling 10 year period.

Additionally the Group has introduced a pension redirection mechanism from July 2020 where colleagues who have maximised their pension tax relief can contribute, on a post tax basis, to a Fund & Share Account and continue to receive matching in the same way as the current pension matching, up to a maximum 11% employer contribution, net of appropriate taxes. Where a colleague, who has maximised their pension tax relief does not wish to contribute to a savings vehicle, the Group will make an additional monthly payment equivalent to the employer's pension contribution amount forsaken up to a maximum of 5% of reference salary. The Committee confirms that no excess retirement benefits have been paid to current or past Executive Directors.

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Payments to third parties

The Committee confirms that no amounts have been paid to third parties in respect of Directors' services.

Payments to past Directors (audited)

Committee confirms that no payments have been made to past Directors during the year.

Payments for loss of office (audited)

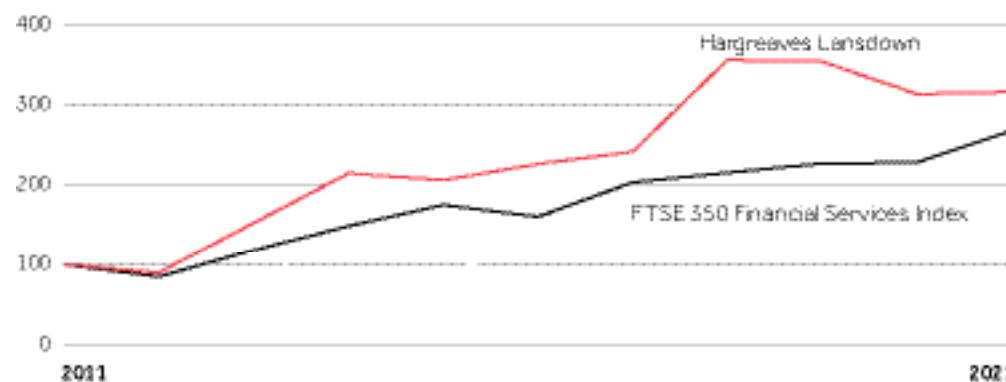
The Committee confirms that no payments have been made for loss of office during the year.

Remuneration in context

Total shareholder return

The following graph shows the Company's performance measured by total shareholder return (TSR), which is the capital growth and dividends paid. This is compared with the performance of the FTSE 350 Financial Services Index for the last 10 years.

This chart shows the value of £100 invested in the Company on 1 July 2011 compared with the value of £100 invested in the FTSE 350 Financial Services Index for each of our financial year ends to 30 June 2021. We have chosen the FTSE 350 Financial Services Index as we believe it is the most appropriate comparator for benchmarking our corporate performance over the ten year period.



Chief Executive Officer remuneration for the past ten years

CEO	Total remuneration	Annual bonus as a percentage of maximum	Shares vesting as a percentage of maximum ⁴
2012 Ian Gorham	£1,640,895	(£1,250,000) ³	nil
2013 Ian Gorham	£6,751,557	(£1,500,000) ³	100%
2014 Ian Gorham	£10,608,359	60% (£1,350,000)	100%
2015 Ian Gorham	£2,058,642	52% (£1,170,000)	nil
2016 Ian Gorham	£2,070,861	78% (£1,550,000)	nil
2017 Ian Gorham ¹ /Chris Hill ²	£1,167,549/£1,035,211	43%/81% (£600,000/£790,625)	66%
2018 Chris Hill	£2,454,048	81% (£1,700,000)	39%
2019 Chris Hill	£648,278	0% nil	nil
2020 Chris Hill	£2,739,520	94% (£2,072,000)	nil
2021 Chris Hill	£2,678,581	86% (£1,958,092)	nil

Notes

- 1 Emoluments for Ian Gorham for 2017 are shown for the period to 9 February 2017 when he stepped down as Chief Executive Officer.
- 2 Emoluments for Chris Hill for 2017 reflect his emoluments for the period from 9 February 2017, and exclude his earnings as Chief Financial Officer and Deputy Chief Executive Officer prior to that date.
- 3 Prior to 2014, there was no individual cap on annual bonus payable, other than the overall bonus pool cap as a percentage of profit before tax. Bonus figures shown are gross of any sacrifice into pension and before any compulsory deferral.
- 4 Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria.

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Percentage change of all Directors and all employees

The table below shows the average percentage change in remuneration of each Executive and Non-Executive Director against the Company's employees as a whole for the last two years, between the year ended 30 June 2019 and the year ended 30 June 2020, and between the year ended 30 June 2020 and the year ended 30 June 2021.

Element of pay	Average employee (% change) ¹	Executive Directors (% change)		Non-Executive Directors (% change)										
		C Hill	P Johnson	D Oppenheimer	F Clutterbuck ⁶	S Garrood ⁶	S Robertson ⁶	J Troiano	M Mannings ²	A Blance ²	A Collins ²	R Perkin ⁵	D Olley	
Base Salary	2021	6.85%	2.86%	2.91%	2.92%	-65.74%	-48.62%	-62.95%	103.64%	-	-	-	11.33%	2.86%
	2020	6.41%	2.9%	2.9%	0%	10.8%	10.3%	59.3%	-	-	-	-	4.3%	0%
	2021	-7.15%	-78.72% ³	-86.08% ³	-100% ⁴	-100% ⁴	-100% ⁴	-100% ⁴	-100% ⁴	-	-	-	-100% ⁴	-100% ⁴
Benefits	2020	2.82	0%	366%	-	-	-	-	-	-	-	-	-	-
	2021	0.8%	-5.50%	-9.78%	N/A	N/A	N/A	N/A	N/A	-	-	-	N/A	N/A
Annual Bonus	2020	11.8%	-	-	N/A	N/A	N/A	N/A	N/A	-	-	-	N/A	N/A

Notes

1 This table shows the average percentage change in salary, benefits and bonus (on a full-time equivalent basis) delivered to eligible colleagues the last two years.

2 The table includes Moni Mannings, Andrea Blance and Adrian Collins who were appointed as Non-Executives on 1 September, 1 September 2020 and 2 November respectively therefore it is not possible to reflect a percentage change figure.

3 The decrease in benefits for C Hill and P Johnson is due to the exclusion of the SAYE discount value over the full three year contract term which was reported last year (in accordance with the single figure methodology).

4 The decrease in benefits for the Non-Executive Directors was due to there being no taxable expenses reimbursed for the 2020/21 performance year.

5 Appointed to interim SID on 1 January 2021.

6 This Table includes Fiona Clutterbuck, Shirley Garrood and Stephen Robertson who stood down as Non-Executive Directors on 8 October, 31 December and 8 October 2020 respectively.

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CEO pay ratio

The table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the CEO for the last two years compared to the total remuneration received by our UK colleagues. For the past three years, we have published our CEO pay ratio using the same methodology as set out below.

Year	Method	Lower Quartile	Median	Upper quartile	Change in median
2021	Option A	101:1	73:1	47:1	0%
2020	Option A	103:1	73:1	47:1	N/A

Notes to the calculations:

1. The median, 25th and 75th percentile colleagues were determined based on calculating total annual remuneration up to and including 30 June 2021.
2. Basic salary for part-time colleagues and new joiners within the calculation year have been converted into full-time annualised equivalent values for the purposes of the calculations.
3. 'Option A' was chosen from the options available in the reporting regulations since it is the most robust and statistically accurate method.
4. Benefits are provided on the same terms to Executive Directors and all employees alike and as such are not included within the table above. The methodology used in these calculations is consistent with those in the single figure table, with the same approach being taken for 2020 and 2021.
5. Set out separately in the table below is the basic salary and total remuneration figures (including bonus) for each of the percentiles in each year.
6. 2020 calculations have been included to allow for a relative comparison of the 2021 outcomes to be evaluated.

Year	Pay element	UK employee lower quartile	UK employee Median	UK employee upper quartile
2021	Basic salary	21,600	28,619	45,000
	Total remuneration	26,422	36,796	57,055
2020	Basic salary	22,433	28,888	44,940
	Total remuneration	26,573	37,625	58,249

7. 2020 calculations have been included to allow for a relative comparison of the 2021 outcomes to be evaluated.

The pay ratio has remained unchanged from the prior year due to CEO total remuneration reducing by the same proportion as UK employee median total remuneration. There have been no material changes in pay or benefits of UK employees nor changes in the proportion of employees working outside the UK or employed under contracts for service.

The remuneration policies and practices at HL are consistent across both our Executive Directors and the wider workforce and are designed to promote the long-term success of the Company, promoting both high individual and team performance. The same considerations and criteria apply across a consistent framework during the assessment of performance and pay outcomes, noting that the quantum of (risk based) variable pay is higher for the CEO than across the wider workforce.

Having overseen the application of performance and pay policies, and reviewed reports from the Reward Governance Committee and Colleague Forum throughout the period, the Committee is satisfied that our 2021 median pay ratio is consistent with the Company's wider pay, reward and progression policies for our UK employees.

Relative importance of the spend on remuneration

The table below shows the actual expenditure of the Group in terms of total employee remuneration, profit before tax, and total dividends for this and the previous year together with the percentage change between the years. Profit before tax has been chosen as a metric in this instance to demonstrate the profits generated for shareholders and the relationship between this and the overall cost of employee remuneration.

	Total dividend paid £m	Underlying profit before tax £m	Employee costs £m	Total dividend declared (pence per share)
2021	263.5	366.0	119.8	50.5p
2020	203.3	339.5 ¹	101.2	54.9p
% change	+30%	+7.8%	+18.4%	-8%

Note

1 Excludes the sale of Funds Library

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All employees across the Group are subject to the same process in respect of annual salary reviews. Consideration is given to the scope of each role, the level of experience, responsibility, progress in role, and pay levels for similar roles in comparable companies. The performance and potential of the individual is also considered.

All permanent employees employed on or before 1 April of the performance year are considered for an annual performance bonus, or equivalent, with individual performance metrics used to determine awards and similar metrics to those used for the Executive Directors guiding the overall bonus pool. All eligible employees (under the rules of the scheme) may also participate in the Group's Save As You Earn.

External Directorships of Executive Directors in the year

None of the Executive Directors have held any external Directorships during the year.

Chair and Non-Executive Director remuneration

Fees for Non-Executive Directors are structured with a base fee payable to all Non-Executive Directors, with additional fees paid for the role of Senior Independent Director and for the Chairs of Board sub-committees.

Fees for Non-Executive Directors for the 2021 financial year are as follows:

Fee policy

	Fees from 1 July 2020 (£ p.a.)	Fees from 1 July 2021 (£ p.a.)
Chair	£334,500	£344,550
Base fee for Non-Executives	£72,000	£74,150
Senior Independent Director	£15,400	£15,850
Chair of Audit Committee	£20,500	£21,100
Chair of Remuneration Committee	£20,500	£21,100
Chair of Risk Committee	£20,500	£21,100
Chair of Nomination Committee ¹	£10,000	£10,000

Note

¹Under current arrangements the Chair fulfils this role for no additional fee.

Fees have been increased by up to 3% in line with wider workforce year end average increases.

Remuneration payable for the 2020 financial year (1 July 2020 to 30 June 2021) (audited)

The remuneration received by Non-Executive Directors in 2021 is set out below.

	2021 fees (£)	2021 Taxable Benefits i.e. expenses (£) ⁴	2021 Total (£)	2020 fees (£)	2020 Taxable Benefits i.e. expenses (£)	2020 Total (£)
D Oppenheimer	334,500	-	334,500	325,000	13,611	338,611
S Robertson ¹	39,833	-	39,833	107,500	3,112	110,612
S Garrood ²	53,950	-	53,950	105,000	1,543	106,543
F Clutterbuck ³	30,833	-	30,833	90,000	1,814	91,814
R Perkin	100,200	-	100,200	90,000	3,369	93,369
D Olley	72,000	-	72,000	70,000	594	70,594
J Troiano	112,000	-	112,000	55,000	846	55,846
A Blance	72,166	-	72,166	NA	NA	NA
M Mannings	74,992	-	74,992	NA	NA	NA
A Collins	47,793	-	47,793	NA	NA	NA

Notes

¹ Stood down 31 October 2020.

² Stood down 31 December 2020.

³ Stood down 31 October 2020.

⁴ No expenses were claimed during the year due to ongoing travel restrictions as a result of COVID-19.

Non-Executive Directors received no other benefits or other remuneration other than reimbursement of all reasonable and properly documented travel, subsistence and other incidental expenses incurred in the performance of their duties and any tax and social costs arising thereon, the benefit of officers' liability insurance and reduced fees for the use of Hargreaves Lansdown services for themselves and connected persons, on the same basis as all other Hargreaves Lansdown employees.

ANNUAL REPORT ON REMUNERATION

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The table below shows, as at 30 June 2021 (or leaving date where applicable), the Company shares held by the Non-Executive Directors and connected persons:

	Shares
D Oppenheimer	30,572
M Mannings	Nil
A Blance	Nil
A Collins	Nil
R Perkin	Nil
D Olley	Nil
J Troiano	14,000
F Clutterbuck ²	2,197
S Garrood ²	Nil
S Robertson ²	12,847

Notes

1 There has been no subsequent change in current Non-Executive Directors' shareholdings as of 4 August 2021.

2 This table includes Fiona Clutterbuck, Shirley Garrood and Stephen Robertson who stood down as Non-Executive Directors on 8 October, 31 December and 8 October 2020 respectively.

Non-Executive Directors' Service Contracts

Details of the Non-Executive Directors' terms of appointment are set out below

	Commencement of appointment	Date of contract	Expiry/review date of current contract
D Oppenheimer	2 February 2018	2 February 2021	1 February 2024
M Mannings	1 September 2020	1 September 2020	31 August 2023
A Blance	1 September 2020	1 September 2020	31 August 2023
A Collins	2 November 2020	2 November 2020	1 November 2023
R Perkin	1 September 2017	1 September 2020	31 August 2023
D Olley	1 June 2019	1 June 2019	31 May 2022
J Troiano	1 January 2020	1 January 2020	31 December 2022

Non-Executive Directors are appointed for a three year term, subject to confirmation by shareholders at the following annual general meeting (AGM) and annual re-election at each subsequent AGM.

Consideration of shareholder views

The Committee recognises that Director remuneration is an area of particular interest to our shareholders and in setting and considering changes to remuneration, it is critical that we listen to, and take into account, their views.

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of the implementation of the Remuneration Policy. We also regularly engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues.

When any material changes are made to the Policy or its implementation, the Committee will discuss these in advance with our major shareholders wherever practical. The Committee will also consult with professional advisers to ensure we consider regulatory requirements and current market and industry practices, where appropriate.

We engaged with major shareholders in summer 2021 in relation to proposed changes to the annual bonus metrics for the 2021/22 performance year to reflect the evolution of our ESG strategy, as well as our proposals to increase Executive Directors' salaries. Further detail on these changes are outlined in the next section. Shareholders provided valuable feedback on the proposals, which are reflected in the final position outlined below. Shareholders welcomed the clarification of how ESG measures will be assessed against Executive Director personal objectives and no concerns were raised regarding the proposed CEO and CFO salary increases.

ANNUAL REPORT ON REMUNERATION

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Implementation of the Remuneration Policy in 2021/22 - Executive Directors

Salary

The Executive Directors' base salaries were reviewed in June 2021. In reviewing base salaries the Committee takes into account salaries paid elsewhere across the Group, relevant market data and information on remuneration practices in peer companies in the financial services sector.

Having recognised the Executive Directors' continued and excellent delivery over a sustained period of time against personal and business objectives, the Committee, having considered shareholder feedback, has approved salary increases in line with our wider workforce approach. The increases ensure we are able to appropriately attract, retain, motivate and recognise talent, leadership and continued strong performance in an increasingly competitive market landscape where the business has significantly increased in scale and complexity over the course of their tenure.

Based on this information, the Committee has decided to award the CEO a two-stage salary increase of 8% for 2021/22 and 4.3% for 2022/23. For the CFO, it was agreed that he will receive a salary increase of 6.8% for 2021/22.

Although Philip Johnson has since announced his desire to step down from his position, I would like to clarify that the salary increases relate to the Executive Director roles and, as such, we continue to believe it is right to ensure they are positioned appropriately.

Whilst these increases are greater than the average salary increase percentage, the approach is in line with how the wider workforce salaries are reviewed, where a broader salary increase table is used that takes into account individual performance and market positioning.

Name of Director	Salary as at 1 July 2021 (£)	Salary as at 1 July 2020 (£)	% increase
Chris Hill	700,000	648,000	8.0%
Philip Johnson	490,000	459,000	6.8%

Annual bonus

For the annual bonus, awards will continue to be subject to performance assessment against a combination of financial/growth (50%) and client and delivery (30%) measures. In order to better articulate and measure progress across ESG measures, we have adapted the personal objective (20%) to more clearly reflect the strong focus across governance and social activity, as well as an increased focus on environmental matters.

In addition, the award will continue to be assessed against the Hargreaves Lansdown values. Risk and compliance considerations will also be taken into account at both Company and individual levels.

The Company and individual performance assessment will include the following measures:

Performance category	Weighting	Objective Descriptor	Measure
Financial/growth	50%	Define and shape the business to thrive at scale, deliver sustainable long term financial results, and evolve our market leading client service to exceed market expectations	Net New Business Client Numbers Profit Before tax
Client and Delivery	30%		Client retention Client Advocacy Strategic Delivery
Environment		Reduce our impact on the environment, evolve our sustainable and responsible investment proposition and provide the tools and information to enable clients to invest in line with their preferences	Assess and develop the footprint of HL, agree with the Board steps to help clients be responsible investors and understand the footprint of their investment portfolio
Personal	20%		
Social		Evolve and communicate the strategy, and proactively manage the reputation of the Group across all stakeholders	Reputation
Governance		Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values	Diversity and Colleague engagement
		Shape a well governed organisation that operates within the Board's risk appetite.	Effective controls and processes

ANNUAL REPORT ON REMUNERATION

CONTINUED

In addition, performance will be assessed against how they have demonstrated behaviours aligned to our values: **Put the client first | Go the extra mile | Make it easy | Do the right thing | Do it better**.

Although the CFO will step down during the year, any bonus outcome will be determined in accordance with the policy framework.

The targets set in relation to these measures are considered to be commercially sensitive, but will be disclosed in next year's Annual Remuneration Report.

In making an assessment of performance, the Committee will give due consideration to market movements, investor sentiment, interest rates and the impact of regulation, all of which are beyond the control of the Executive Directors. They will also consider the extent to which management has operated within the agreed risk parameters and the extent to which the bonus outcome reflects the overall performance of the business in the context of client and shareholder experience. Details of the Committee's assessment will be given in the Annual Remuneration Report next year.

As referred to on page 93, the maximum bonus opportunity for the CEO was increased to 400% of salary which was approved by shareholders at the 2020 AGM. The Committee agreed that this increase would be introduced in phased increments, with the on-target opportunity also reducing to 50% of maximum over the life of the policy. For 2021/22, in line with the Remuneration Policy, the following on-target and maximum bonus opportunities will therefore apply:

On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	212.5%
Philip Johnson	175%

In line with the approved policy, any bonus awarded to each Executive Director will be delivered in a combination of cash and shares as required by regulation and following the end of the financial year with a minimum of 40% of any bonus deferred over HL plc shares vesting in equal tranches over a period of three to five years, subject to continued employment.

Dividend alternatives will accrue on the deferred share element of bonuses up to the time of vesting and will be paid at exercise. Bonus awards are subject to a formal malus mechanism until vesting and clawback until the later of three years from the date of award or until the end of any post vesting retention period. The Committee can defer a decision to award bonuses or award and suspend payment of bonuses for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year. For further details of the relevant malus/clawback triggers, please see page 81 of the 2020 Report and Financial Statements.

Sustained Performance Plan (SPP)

Each Executive Director will receive an award over HL plc shares with a face value of 50% of base salary, subject to satisfactory personal performance in the period prior to grant.

Awards will vest after five years, subject to the achievement of the following underpinning performance conditions assessed over a three year period:

- A requirement for average AUA for the last complete financial year prior to the third anniversary of grant to be above the average AUA for the last complete financial year prior to award;
- Maintenance of a satisfactory risk, compliance and internal control environment across the performance period;
- Satisfactory personal performance throughout the performance period; and
- The Board will review performance against these underpinning conditions in the round, giving due consideration to market movements, investor sentiment, interest rates and the impact of regulation, all of which are beyond the control of the Executive Directors. They will also consider the extent to which management has operated within the agreed risk parameters in assessing the extent to which awards should vest.

Dividend alternatives will accrue up to the time of vesting and will be paid at exercise.

Awards are subject to a formal malus mechanism until vesting. Awards are subject to clawback until the end of any post vesting retention period.

ANNUAL REPORT ON REMUNERATION

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Under the Group's variable pay plans, the Committee can defer a decision to award bonuses or award and suspend payment of bonuses or suspend vesting of deferred bonuses or SPP awards for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year. For further details of the relevant triggers, please see page 81 of the 2020 Report & Financial Statements.

Statement of voting at the AGM

At the AGM held in 2020, votes cast by proxy and at the meeting in respect of the Directors' remuneration report, and the Directors' Remuneration Policy were as follows:

Resolution	Votes for (including discretionary votes)	% for	Votes against	% against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Approve Directors' Report on Remuneration	396,497,002	98.34	6,657,541	1.65	16,287	403,187,041	396,497,002
Approve Directors' Remuneration Policy	386,802,133	96.30	14,850,824	3.70	1,516,450	403,187,041	386,802,133

Moni Mannings

Chair of the Remuneration Committee

8 August 2021

NOMINATION COMMITTEE REPORT

SIGNIFICANT AND POSITIVE CHANGE



Dear Shareholder

As Chair of the Nomination Committee, I am pleased to present this report on the Committee's activities in the year under review.

The Committee has overseen a year of significant and positive change both at Board level and within the Group's senior management. In implementing the Group's succession plans, the Committee has overseen a number of high calibre appointments that have strengthened the overall skill set and diversity of the Board and the Group's senior management which will greatly benefit the ability of the Group to achieve its strategic objectives.

In its approach to succession planning and recruitment, the Committee has continued to promote inclusion and diversity across the business to support the Group's growing and increasingly varied client base, and has overseen improvements to the Group's policy and strategy to encourage and embed a diverse and inclusive culture across the organisation.

During the period, Andrea Blance and Moni Mannings were recruited as independent Non-Executive Directors of the Company and we welcomed Adrian Collins as a Nominated Director of the Company. Further details on their appointment and the consequential changes to Committee memberships can be found in the body of the report.

On 25 June 2021, the Company was pleased to announce the appointment of Penelope (Penny) James as Senior Independent Director to replace Shirley Garrood who stepped down at the end of 2020. Penny James will become Senior Independent Director on 1 September 2021 and until that time Roger Perkin will remain interim Senior Independent Director.

“

Succession planning is a key component of good governance

These new appointments demonstrate that despite the challenges of the COVID-19 pandemic, the Committee has successfully added a breadth of skills to the Board and can now report that Board membership covers the full range of skills identified in the Board skills matrix. The Committee will continue to carry out regular reviews of Board and Committee composition to monitor for any upcoming deficiencies but does not anticipate any immediate need to recruit additional independent Non-Executive Directors.

Following Philip Johnson having informed the Board on 29 July 2021 of his intention to step down from his position as Chief Financial Officer, the Committee will undertake a search to identify and appoint a successor. We are naturally at the early stages of this search and will, of course, keep shareholders appropriately informed.

The Committee ensured that the restrictions arising as a result of the COVID-19 pandemic did not impact on the induction and inculcation of the newly appointed Directors. The robust induction included them each meeting over 20 people from the Group's senior management. There have also been a number of one-on-one and small group deep dives into key issues which has greatly enhanced the level of debate and challenge at Board meetings.

I will be available to answer any questions at the AGM. If there are government measures in force restricting physical public gatherings at the time of the AGM and limiting shareholders' ability to attend and ask questions then, as in 2020, shareholders will be invited to send questions to our company secretarial team by email. Further details will be set out in the Notice of AGM.

Attendance at Committee meetings during the year to 30 June 2021

Member	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	••••••••	••••••••
	Independent Non-Executive Director	••••	••••
Andrea Blance	Independent Non-Executive Director	••••	••••
Moni Mannings	Independent Non-Executive Director	••••	••••
Roger Perkin	Independent Non-Executive Director	••••••••	••••••••
Fiona Clutterbuck	Independent Non-Executive Director	•••	•••
Shirley Garrood	Independent Non-Executive Director	••••	••••

NOMINATION COMMITTEE REPORT

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Role of the Nomination Committee

The Committee plays a key role in reviewing and monitoring the composition of the Board and its Committees to ensure that each has the right balance of skills, knowledge and experience to function effectively and support the Group in achieving its strategic objectives. In doing so, it conducts ongoing succession planning to ensure there is a diverse pipeline of talent for appointments to the Board and senior management to meet the Group's current and anticipated future business needs. The Committee leads the process for appointments to the Board and re-election of Directors, having regard to the skills and experience required and the need to promote diversity throughout the Group.

As part of its role in ensuring the Board and its Committees are functioning effectively, the Committee also oversees the annual evaluation of the Board's performance and monitors the Group's progress in implementing recommendations.

The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at www.hl.co.uk/about-us/board-of-directors.

This report provides an overview of how the Committee has discharged its responsibilities during the period under review.

Composition and meeting attendance

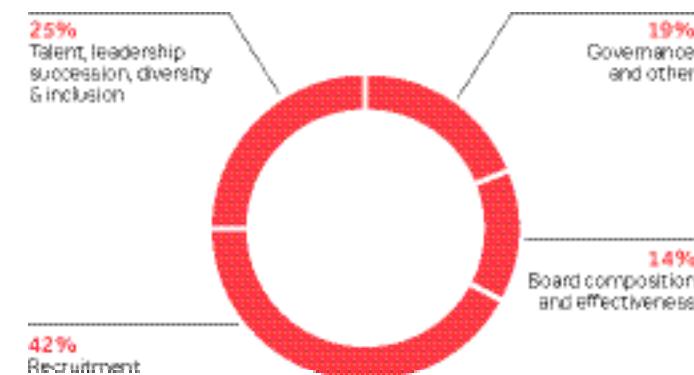
Deanna Oppenheimer (as Chair) and Roger Perkin were members of the Committee throughout the period under review. Fiona Clutterbuck and Shirley Garrood were members of the Committee until their resignations as Non-Executive Directors on 8 October 2020 and 31 December 2020 respectively. Andrea Blance and Moni Mannings attended the Committee meetings in October and were appointed as members of the Committee on 1 January 2021. The Code requirement that a majority of members are independent Non-Executive Directors has therefore been satisfied throughout the period under review.

Committee appointments are made for three-year terms and can be extended for no more than two additional three-year terms, provided that the member still meets the criteria for membership. The Board regularly reviews the composition of the Committee and makes appointments accordingly.

As a result of the number of appointments made during the period under review, the Committee met 10 times. The attendance of members at meetings across the year is set out in the table on page 114. Other individuals attend Committee meetings at the request of the Committee Chair. This will usually include the Chief Executive Officer and Chief People Officer and, where relevant, the Group's external advisers. The Committee has access to the Group Company Secretary, who also acts as secretary to the Committee. The Committee is authorised to obtain independent professional advice where it considers it necessary.

Due to government restrictions arising as a result of COVID-19 the Committee has been, until very recently, meeting remotely throughout the period under review. The Committee does not consider that these alternative arrangements have had any impact on its ability to operate effectively and discharge its obligations.

Overview of the Committee's activities in the year to 30 June 2021



Approach to succession planning

The Committee has responsibility for ensuring appropriate succession planning for both the Board and the Group's senior management. In doing so, the Committee considers the Group's present and future needs by reference to the challenges and opportunities it faces, its strategic objectives, its culture, and the need to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

To date, the Committee has adopted an approach whereby succession planning for the Board is based on key drivers such as recommendations from externally led Board evaluations, feedback from meetings with key stakeholders such as the FCA, investors, the Committee's own reviews of Board size, structure and composition, and developments in corporate governance best practice, such as the recommendations of the Parker Review.

NOMINATION COMMITTEE REPORT

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In June 2020, the Committee considered and approved a change of emphasis to an 'evergreen' approach to succession planning, with greater focus on proactively anticipating succession demands and to develop a pipeline of talent with the skills and capabilities that align to the future strategic needs of the business. At its December meeting, the Committee agreed that given the recent high level of turnover, the 'evergreen' approach to succession planning would not be appropriate in the short term and that a Board skills matrix would be used to consider individual and collective skills. The Committee intends to revert to an 'evergreen' approach to succession planning in the course of the next financial year. The Committee is also actively considering mechanisms for staggering Board tenure to ensure a more even distribution of change amongst the Board.

Skills matrix

During the period under review, the Committee has reviewed the detailed skills matrix to aid it in identifying the present and future needs of the Board. The Committee enhanced the recognition given to skills acquired outside the corporate board environment and refined the analysis of ESG skills to ensure better alignment with the needs of the Group. The skills by which Board members are assessed are aligned to the Group's current needs and strategic objectives. In addition to aiding the Committee in succession planning and supporting recruitment, the matrix assists the Committee in its review of the size, structure and composition of the Board and its Committees, and in identifying collective and individual development needs.

Board size, structure and composition

The Committee regularly reviews the size, structure and composition of the Board, as well as conducting annual reviews of the composition of its Committees. In addition to providing the Board with assurance on its ability to satisfy the Group's current and future business needs, the reviews provide an opportunity to consider the additional skills and experience that might complement those already on the Board. This, in turn, is used as a tool to develop the Group's succession planning.

In reviewing the composition of the Board and its Committees, the Committee also considers the tenure of the Non-Executive Directors. Potential gaps in skills, knowledge and experience when Directors rotate off are taken into account when developing succession planning for both the Board and its Committees. In the period under review, the Committee has considered in detail the skills and experience gap that arose from Shirley Garrood's departure at the end of 2020.

Contingency planning

In addition to considering longer-term succession planning, the Committee has received and reviewed reports on short-term contingency planning to prepare for unexpected periods of stress using existing talent. In doing so, the Committee has received its annual report on Non-Executive Director contingency planning, as well as in-depth contingency planning for the Senior Management Functions across the Group's regulated subsidiaries that are subject to the SMCR regime, which includes plans for the Executive Directors on the Board.

Board training

The Board recognises that the breadth and depth of knowledge and experience required for the boards of listed companies continues to expand, particularly in regulated environments such as the financial services sector, and that owing to previous experience and tenure with the Company, each Director will have differing training and development needs.

The Group's approach to Director training and development is therefore to provide collective training events on topics of interest for the Board as a whole, such as key regulatory changes, business developments, cyber security and market updates. In addition, there is now access to bespoke training events for individuals based on specific development needs, background or changing roles. For example, this could include detailed CASS training for Audit Committee members.

Training is offered via a range of mediums such as deep dives at Board or Committee meetings, group or one-on-one sessions at the office or remotely, as well as more formal courses or training sessions offered by third party providers. During the period under review the Board has received remote training from Silicon Valley Product Group on modern product best practice. The Board also held workshops remotely on a range of subjects including: technology; client; service and growth.

The output of annual Board evaluations and the skills matrix referred to above are also used to identify both individual and collective training and development needs.

Diversity

The Board believes that building a diverse and inclusive workforce is important not just because it is the right thing to do, but because it is good for the Group's clients, its business and its people. The Group's objective is to build a diverse workforce at all levels and create an inclusive culture for all. The Board is committed to creating a culture where people treat each other with dignity and are encouraged to realise their full potential.

The Group's inclusion and diversity policy supports this by making clear the Group's aspirations and commitment to inclusion and diversity, and by defining the roles and responsibilities that will support it in attaining its objectives. The Group's policy is based on five key principles:

- Driving an inclusive culture. Inappropriate behaviour is not accepted, and training is provided to reduce bias across the organisation;
- Embedding inclusion and diversity into the Group's systems and processes. This includes a focus on hiring more, promoting more and losing less diverse talent, and making reasonable workplace adjustments to accommodate colleagues from diverse backgrounds and those with specific needs;

NOMINATION COMMITTEE REPORT

CONTINUED

- Taking a data-driven approach. The Group Executive Committee is provided with regular management information, and the demographics of the Group's workforce are reviewed against relevant external benchmarks;
- Driving the inclusion and diversity agenda. The Group's leadership are made collectively accountable for promoting inclusion and diversity within the organisation; and
- Doing less, well. The Group focuses on a smaller number of actions that will have the greatest impact.

During the period, the Committee reviewed updates to the Group's inclusion and diversity policy and approved the strategy and action plan being followed as the Group continues to promote and embed a diverse and inclusive culture. Further information on the Group's progress in achieving its objectives can be found on pages 30 to 32 of the Strategic Report.

Gender balance

Part of the Board's commitment to promoting diversity is its continued focus on gender diversity both at Board level and in the Group's senior management. The Committee has overseen the development of specific strategic initiatives in this respect, including to hire more, promote more and lose less women in senior positions.

As at 30 June 2021, the Board numbered nine in total, three of whom are female. Once Penny James is appointed as Senior Independent Director on 1 September 2021, the Board will number 10 in total, four of whom will be female.

The Board is proud to have met the target set out in the Hampton-Alexander Review of 33% female representation by 2020, and the Committee continues to focus on promoting gender diversity as part of its recruitment processes.

The Group continues to promote diversity across the organisation and is proud to be a signatory to the Women in Finance Charter, a government initiative to promote inclusion and diversity. As at 30 June 2021, female representation across the Group's senior management (as per the Code definition) was 35.9%. For these purposes 'senior management' comprises members of the Group Executive Committee, the Group Company Secretary, and each of their direct reports (including administrative staff). If administrative staff are removed then female representation across the Group's senior management as per the Companies Act 2006 definition (which only includes those responsible for planning, directing or controlling the activities of the Group or a strategically significant part) was 26%. Further information on how the Group is seeking to promote diversity can be found on page 30 of the Strategic Report.

Ethnic diversity

The Committee is pleased to report that the Company has met the recommendation from the Parker Review that there should be at least one Director of colour on the Board by 2021. During the period under review, the Committee considered the widening of the inclusion and diversity strategy to include improving the representation of Black, Asian and Minority Ethnic (BAME) colleagues in line with the local population. This included signing up to the Race at Work Charter and its five 'calls to action', consideration of setting ethnicity targets and embedding them into Directors' personal objectives, reviewing how to reach a more diverse slate of candidates and introducing various mentoring and sponsorship initiatives. For more information about the Group's approach to ethnic diversity please see the Our People section on page 31.

Approach to NED recruitment

The Committee leads the process for appointments to the Board other than for the Nominated Director (for further information on the Nominated Director see page 118 below). It uses the output of its detailed succession planning and regular assessment of Board and Committee composition to identify the skills, knowledge and experience required in candidates to meet the Group's current and future requirements. The Committee engages external search firms for all Board appointments (other than for the Nominated Director), using their networks and expertise to identify a list of candidates that meet the capability requirements developed by the Committee. Shortlisted candidates are invited to interview with various members of the Board and senior management. Summaries of the outcome of interviews, along with candidate CVs, are then provided to the Committee for detailed consideration.

In line with the Group's Board diversity policy, the Committee reviews broader aspects of diversity as part of its reviews of Board composition and succession planning, and when searching for candidates, the Committee takes into account a number of factors, including the benefits of diversity and balance of composition of the Board, including in terms of ethnicity and gender. The Group's policy is to work with search firms who have signed up to the Standard Voluntary Code of Conduct for Executive Search Firms on diversity and best practice, and reject candidate lists that are not suitably diverse without sufficient reason. The overriding requirement is that recommendations for appointments are based on merit against objective criteria, and that the best candidates are put forward for consideration. Such criteria will usually include: previous experience with financial services experience in a regulated, consumer business being preferred; a track record of success in a senior leadership role of a substantial company; prior non-executive director experience or equivalent; strong regulatory relationships and understanding of key themes and trends; and the ability to contribute broadly at a strategic and commercial level.

NOMINATION COMMITTEE REPORT

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The Committee recommends its preferred candidate to the Board for approval.

Appointment of new independent Non-Executive Directors

During the period under review, the Committee carried out a detailed search for three new Non-Executive Directors to replace the Senior Independent Director, build resilience into the membership of the Board's Committees and aid succession planning for Committee Chair roles, accelerate progress toward meeting the recommendations of the Parker Review whilst continuing to meet the recommendations of the Hampton-Alexander Review, and bring further recent executive experience to the Board to promote diversity of thought.

The Committee engaged Russell Reynolds Associates, an independent external search agency, to assist with the searches: firstly to find two new independent Non-Executive Directors and secondly to find a new Senior Independent Director.

Search for two new independent Non-Executive Directors

Following a rigorous process involving initial interviews with a range of potential candidates, Andrea Blance and Moni Mannings were identified as the preferred candidates. Further interviews were conducted by all members of the Board and selected senior management. Having received detailed feedback from the interview process, the Committee was pleased to recommend Andrea's and Moni's appointment to the Board. Andrea was appointed as a Non-Executive Director and member of the Risk and Audit Committee with effect from 1 September 2020. Moni was appointed as a Non-Executive Director and member of the Risk and Remuneration Committees with effect from 1 September 2020.

Search for a new Senior Independent Director

Following a rigorous process involving initial interviews with a range of potential candidates, Penny James was identified as the preferred candidate. Further interviews were conducted by all members of the Board and selected senior management. Having received detailed feedback from the interview process, the Committee was pleased to recommend Penny's appointment to the Board. Penny was appointed as Senior Independent Director and member of the Risk Committee and the Nomination with effect from 1 September 2021.

Appointment of Adrian Collins as the Nominated Director

Adrian Collins joined the Board as the Nominated Director on 2 November 2020 following the Company entering into a new shareholder agreement (the Agreement) with Peter Hargreaves. The Agreement entitles Peter, a co-founder of the Company and its largest shareholder, to nominate one non-independent, Non-Executive Director for appointment to the Board (the "Nominated Director"), subject to the applicable regulatory and governance framework that is observed by the Company. This nomination right shall remain in place for so long as Peter and his Associates (as such term is defined in the Listing Rules) control or are entitled to control the exercise of at least 10 per cent of the Company's voting rights. Prior to nominating Adrian Collins, Peter Hargreaves consulted with, and obtained the approval of, the Committee regarding the identity, qualifications, experience, character and overall suitability of the individual proposed to be appointed. The granting of such approval was at the sole discretion of the Nomination Committee.

Committee changes

During the period, the Committee recommended to the Board the appointment of Andrea Blance and Moni Mannings as members of the Risk Committee with Andrea Blance becoming Chair of that committee in December 2020. Andrea brings a wealth of knowledge and experience of risk management within financial services having served as Group Chief Risk Officer for Legal & General Group plc. Moni's background means she brings legal expertise and diversity of thought within the Risk Committee. They both have other FTSE 100 experience and their appointment adds to the Committee's capability to oversee and challenge executive management on the risks associated with the Group's strategic objectives.

Andrea Blance and John Troiano were appointed to the Audit Committee, and it is considered that Andrea's previous experience as Audit Committee Chair of ReAssure Group plc and Provident Financial plc combined with John's extensive industry experience will be particularly beneficial in the functioning of this committee.

Moni Mannings was appointed and became Chair of the Remuneration Committee. Her experience of chairing other Remuneration Committees of listed businesses (including Investec Bank PLC) are considered to bring considerable benefit to the Committee.

Appointments to the Group's subsidiary boards

The Committee also takes an active role in considering the development of talent and balance of skills within the Group's subsidiary boards. The Committee approves the appointments to the Group's subsidiary boards. Care is taken to ensure that appointments expand the diversity and experience of the Group's subsidiary boards.

NOMINATION COMMITTEE REPORT

CONTINUED

The Committee has previously approved the appointment of two independent Directors to Hargreaves Lansdown Fund Managers Limited, the Group's fund management arm: John Misselbrook who has over 40 years' experience in financial services and was the Chief Operating Officer of Baring Asset Management Limited for 11 years; and John Troiano who brings significant investment and asset management experience having spent 38 years at Schroders.

Board effectiveness

The Committee oversees progress on the implementation of recommendations and actions from the annual evaluation of the performance of the Board and its Committees. The last externally led Board evaluation was carried out in 2018 and facilitated by Boardroom Review Limited, an external consultancy with no connection to the Group. In line with the requirements of the Code, the Committee has overseen the appointment of Independent Audit to lead a Board evaluation which is planned to take place in the first half of the new financial year.

Independent Audit is an external consultancy with no connection to the Group and who are also carrying out the external evaluation of the Group's internal audit function.

In the interim, annual evaluations of Board performance have been facilitated internally. The 2019 and 2020 evaluations consisted of a detailed questionnaire covering areas such as Board and Committee composition and culture, the conduct of meetings and the provision of information, corporate culture and workforce engagement, and understanding of shareholder, regulator and other stakeholder issues. Members of the Board's Committees were also asked specific questions about the work of the Committees and how they interact with key stakeholders. After completing the questionnaire, members of the Board were invited to have one-to-one discussions with the Chair and the Group Company Secretary to provide greater insight into survey responses. The results of the 2019 evaluation were submitted to the Board and actions approved in August 2019. The results of the 2020 evaluation were submitted to the Board and actions approved in August 2020.

Whilst the evaluations are opportunities to recognise what is working well, they are also an important tool in identifying where improvements can be made to ensure the Board and its Committees are functioning and able to perform their roles in an effective manner.

During the period, the Committee has received regular updates on progress against actions from the 2018, 2019 and 2020 evaluations, as well as approving the approach for this year's evaluation. The progress in implementing recommendations from the externally facilitated 2018 evaluation was reviewed and accepted by the Group's Internal Audit function.

Key priorities and outcomes from the 2018 external evaluation included the following:

- **Strategy.** Move toward a dynamic strategic process and develop the strategic information provided to the Board. In response, a cycle of review and refinement of the Group's strategic plan has been implemented by reference to the annual operating plan. Critical strategic initiatives have also been identified and are regularly reported to the Board through the Chief Executive Officer's business performance update.
- **Culture.** Ensure the culture of the organisation is conducive to the growth and wellbeing of the Group. In response, a culture action plan for the Group has been developed. This has resulted in refinements to the Group's people strategy and policies.
- **Governance.** Review the Group's governance framework and implement recommendations. In response, a detailed review of the Group's governance arrangements has been carried out and a revised governance framework approved and implemented.

Key priorities and outcomes from the 2019 internal evaluation included the following:

- **Board and Committee meetings.** Ensure sufficient time is set aside for strategic debate. In response, rolling 12 month Board and Committee agendas have been restructured.
- **Provision of information.** Improve the quality of papers. In response, the Company Secretariat team has worked to develop templates and associated guidance and improve the paper commissioning process.
- **Culture.** Review and develop consistent non-financial culture KPIs for sharing regularly with the Board. In response, proxy culture measures have been developed and are now included within the Chief Executive Officer's business performance updates.

Key priorities and outcomes from the 2020 internal evaluation included the following:

- **Strategy.** Develop a programme of short, standalone workshops on issues of strategic importance to the Group. In response, sessions have been held on technology, advice and investments.
- **Governance Framework.** Raise awareness on the operation and embedment of the Governance Framework. In response, a manual was produced alongside regular updates to the Board.

Nomination Committee evaluation

During the period under review, the Committee has overseen the implementation of recommendations relating to its effectiveness from both the externally facilitated 2018 evaluation and internally led 2019 and 2020 evaluations. This has included an assessment of the quality of external advice provided to the Committee and a review of how the Committee reports back to the Board to ensure increased clarity and consistency.

NOMINATION COMMITTEE REPORT

CONTINUED

Director independence, time commitment and re-election

The Committee conducted its annual review of the independence of the Non-Executive Directors, and time commitments of the Directors generally, at its June meeting. In reviewing the independence of the Non-Executive Directors, the Committee considered in detail whether any circumstances have arisen, including those set out in Provision 10 of the Code, which are likely to impair, or could appear to impair the independence of each Non-Executive Director. This included consideration of length of tenure, existing and proposed external directorships and other similar appointments, and any other conflicts recorded by the Company in respect of each Non-Executive Director.

The Committee concluded that it considered each of the Non-Executive Directors other than the Nominated Director to be independent under the provisions of the Code. As an appointee of a shareholder, the Nominated Director is not considered to be independent but he is considered to be a valuable addition to the Board because he provides an avenue to harness Peter Hargreaves' experience as well as his own wealth of experience in the fund management industry. The Nominated Director does not sit on any of the Committees and given that the majority of the Non-Executive Directors are independent, the Committee considers this adequately compensates for any potential imbalance that may arise from the presence of the Nominated Director.

In concluding that each of the Non-Executive Directors has sufficient time available to allocate to the Company as set out in their letters of appointment, the Committee considered the detailed requirements of the Code and the Capital Requirements Directive (CRD IV), attendance records for each Director and responsiveness to Company business, as well as the confirmations given to the Chair by each of the Non-Executive Directors that they continue to have sufficient time to discharge their responsibilities effectively. In addition to each Non-Executive Director's current responsibilities, the Chair has reviewed and discussed plans and timing for adding new or deleting current responsibilities to ensure each individual's time commitment remains consistent.

As part of its review of the size, structure and composition of the Board, and taking into account its assessment of independence and time commitments, the Committee is satisfied that the Board continues to be effective. Based on its assessment of each Director's performance and ability to continue to contribute to the Board in light of the knowledge, skill and experience they possess, the Committee has recommended to the Board that each of the Directors is put forward for election or re-election at the 2021 AGM as appropriate.

Nomination Committee priorities for 2021/22

Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- The recruitment of a new Chief Financial Officer;
- The Group's succession planning throughout the organisation with a key focus on enhancing a diverse talent pipeline;
- Reinstating the 'evergreen' approach to succession planning to proactively anticipate successional demands and to develop a pipeline of talent with the skills and capabilities that align to the future strategic needs of the business;
- Overseeing the 2021 external Board evaluation; and
- Creating an orderly future rotation plan for the Board members.

Deanna Oppenheimer

Chair of the Nomination Committee

8 August 2021

RISK COMMITTEE REPORT

DRIVE FOR CONTINUOUS IMPROVEMENT



Dear Shareholder

Having been appointed Chair of the Risk Committee in December 2020, I am pleased to present the Committee's report for the year ended 30 June 2021. I would like to thank Shirley Garrood for her valuable contributions during her tenure as Committee Chair. The Committee has continued its drive for continuous improvement in the risk management across the Group and I am pleased to inform you that a new Group Chief Risk Officer, Shawn Gamble, joined in January 2021 to enhance leadership and capability.

Last year, our report highlighted that we would be commissioning an external assessment of the Group's risk management framework and during the period under review the Committee has been reviewing the outcomes of that external assessment. The Committee has been working closely with the executive team and the new Group Chief Risk Officer to oversee the actions taken in response to this review, to ensure that the Group's risk management continues to support good client outcomes and mitigate the risk of harm as well as overseeing the continued shift and improvement of risk management responsibilities to the Group's first line teams.

The Committee has approved increased resource capacity and capability in the second line and approved the next phase for the Risk Enhancement Plan in June 2021 with a number of particular areas of focus set out in more detail in the report below. The Committee will be actively overseeing the implementation of the revised Risk Enhancement Plan throughout the next financial year.

An important focus of the Committee has been to oversee management's response to COVID-19 ensuring that the impacts on the Group's principal risks have been understood and appropriate decisions taken. The Committee has also considered papers from management setting out improvements to risk management activity across both the first and second lines of defence and across the Group's risk profile, including cyber-security, anti-money laundering, bribery and corruption and investment risk. The Committee carried out a detailed review of the Group's 2020 ICAAP prior to its recommendation to, and

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Ensuring the Group's risk management supports good client outcomes

subsequent adoption by, the Board in December 2020. To support this activity the Committee requested focused papers on stress testing, the Pillar 2 self-assessment and the wind down plan.

During the period under review the Group experienced one brief period of total outage of the Group's platform and two brief periods of partial outage, described in more detail below. The Committee has, therefore, been heavily involved in reviewing the Group's operational resilience and ensuring that lessons have been identified and actions taken forward to reduce the Group's exposure to future events.

I will be available to answer any questions at the AGM. If there are government measures in force restricting physical public gatherings at the time of the AGM and limiting shareholders' ability to attend and ask questions then, as in 2020, shareholders will be invited to send questions to our company secretarial team by email. Further details will be set out in the Notice of AGM.

Attendance at Committee meetings during the year to 30 June 2021

Member	Position	Eligible meetings	Attended meetings
Andrea Blance	Chair (from 4 December 2020)	•••••	•••••
Moni Mannings	Independent Non-Executive Director	•••••	•••••
Dan Olley	Independent Non-Executive Director	••••••	••••••
Roger Perkin	Independent Non-Executive Director	••••••	••••••
John Troiano	Independent Non-Executive Director	••••••	••••••
Shirley Garrood	Chair (until 4 December 2020)	•••	•••
Fiona Clutterbuck	Independent Non-Executive Director	••	••
Stephen Robertson	Independent Non-Executive Director	••	••

RISK COMMITTEE REPORT

CONTINUED

Role of the Risk Committee

The Committee assists the Board in its oversight of risk within the Group. It has a particular focus on reviewing and advising the Board on changes to the Group's risk appetite, and monitoring the effectiveness of, and improvements being made to, the Group's risk management framework. The Committee also advises the Board on changes to the Group's risk profile and future risk strategy, as well as reviewing reports on material breaches to the Group's approved risk limits. However, the Board as a whole remains responsible for the Group's risk management and strategy, and for determining an appropriate risk appetite.

The Committee plays a key role in overseeing the delivery of the Group's ICAAP and supports the Remuneration Committee by advising on risk considerations to be taken into account when determining bonus pools and Executive remuneration. The Committee reviews reports from the Chief Information Security Officer on IT security and the cyber risk control environment.

The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at www.hl.co.uk/about-us/board-of-directors.

This report provides an overview of how the Committee has discharged its responsibilities during the period under review.

Composition and meeting attendance

As at the date of this report, the members of the Committee are Andrea Blance (Chair), Moni Mannings, Dan Olley, Roger Perkin and John Troiano. Dan Olley, Roger Perkin and John Troiano were members of the Committee throughout the period under review. Moni Mannings and Andrea Blance have each been members of the Committee since their appointment on 1 September 2020. Shirley Garrood, Fiona Clutterbuck and Stephen Robertson were each members of the Committee until their resignations as Non-Executive Directors on 8 October 2020 (Fiona Clutterbuck and Stephen Robertson) and 31 December 2020 (Shirley Garrood). Shirley Garrood was Chair of the Committee until 4 December 2020.

Committee appointments are made for three-year terms and can be extended for no more than two additional three-year terms.

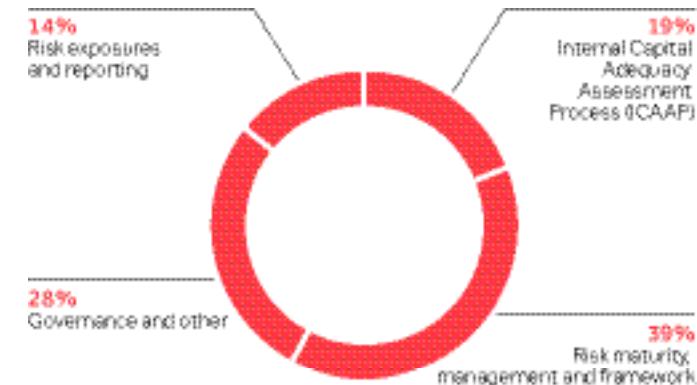
Committee membership is regularly reviewed by the Committee Chair, who makes suggestions for appointments to the Nomination Committee, which may in turn recommend such appointments to the Board for approval. New members receive an induction prior to joining the Committee which is tailored to their respective needs. Ongoing training is provided to assist Committee members in performing their duties.

The Committee met seven times in the period under review. The attendance of members at meetings across the year is set out in the table on page 121. Other individuals attend Committee meetings at the request of the Committee Chair. This will usually include the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Group Chief Risk Officer and the Chief Internal Auditor. Prior to the appointment of the Group Chief Risk Officer in January 2021, the Chief Risk Officer and the Group Director of Risk and Compliance attended the Committee meetings. The Committee has access to the Group Company Secretary, who also acts as secretary to the Committee.

The Committee is authorised to obtain independent professional advice where it considers it necessary.

Due to government restrictions arising as a result of COVID-19 the Committee has, until very recently, been meeting remotely throughout the period under review. The Committee does not consider that these alternative arrangements have had any impact on its ability to operate effectively and discharge its obligations. →

Overview of the Committee's activities in the year to 30 June 2021



RISK COMMITTEE REPORT

CONTINUED

Risk management framework

In conjunction with the Audit Committee, the Committee has responsibility for reviewing the effectiveness of the Group's internal controls and risk management framework. This includes advising the Board on the Group's overall risk appetite, overseeing the management of risk within the Group's business and monitoring progress on improvements being made across its risk management framework.

Risk appetite

A key element of the Group's risk management framework is its risk appetite framework, which defines, by reference to the Group's principal risks, the acceptable levels of risk that Executive management are permitted to take in order to achieve the Group's strategic goals and objectives.

The Committee reviews the Group's risk appetite at least annually. During the period under review, the Committee reviewed and challenged proposed enhancements to the Group's risk appetite approach. Improvements included linking the risk appetite to stress testing and capital scenario assessments performed as part of the ICAAP.

After careful review the Committee approved revisions to the Group's risk appetite statements and the risk appetite framework in January noting that they would be reviewed in full by the Group Chief Risk Officer (GCRO) later in the year. In June the Committee considered the Group's risk appetite and plans for its development and the Board approved the continued use of the existing Group risk appetite statements whilst those developments were progressed.

Embedding risk management

In carrying out its responsibilities in respect of the Group's wider risk management framework, the Committee has overseen and supported the continuing strengthening of risk management responsibilities in the operational teams in the first line, to enable the Group's Risk function to further focus on second line activities.

The Committee has reviewed and challenged reports submitted to the Committee for evidence of continued evolution of risk management in the first line, including reports on the Group's response to COVID-19, other resilience events and exposures relevant to a specific legal entity, e.g. the risks of partner bank failure to HL Savings Limited.

The Committee has also received assurance on risk management within the Group's business lines and activities via updates to the risk profile from the Group's second line Risk function and papers relating to the COVID-19 control environment.

During the period under review, the Committee also reviewed the twice yearly self-assessment from the Chief Executive Officer on the Group's risk management framework and reports from the GCRO on the self-assessment process and the level of assurance it provides.

MLRO updates

The Committee receives and reviews periodic reports from the MLRO specifically addressing the adequacy and effectiveness of the Group's anti-money laundering and counter terrorist financing systems and controls as well as the prevention of bribery. During the period, the Committee considered and supported a programme designed to review the Group's anti-money laundering and counter terrorist financing systems and controls and identify areas for enhancement to enable the Group to continue to comply with the legislative requirements and to efficiently and effectively manage the increasing client volumes. It is anticipated that the enhancement areas will involve improving automation and capability. The Committee also reviewed and approved updates to the Group's Anti-Bribery & Corruption Policy.

Risk maturity and enhancements to the framework

Following completion of the external assessment of the Group's risk maturity and risk management framework in September 2020 and in line with the Group's desire for strong and robust risk management, the Committee has been reviewing the capabilities of the Group's second line to ensure that it is designed in proportion with the size, complexity and activities of the Group. In light of this review, and as highlighted in my introduction, the Committee oversaw the appointment of a GCRO in January 2021 and approved increased resource capacity in the second line. The Committee has been working closely with the GCRO to agree the next phase for the Risk Enhancement Plan for the Group. Areas of particular focus for improvement include:

- Improving the use of risk data and reporting in the Group's decision-making;
- Introduction of an enhanced risk taxonomy, supporting improved aggregation and escalation of risk;
- Continued evolution of the Group's governance structures to support improved risk management and management decision making;
- Enhanced specialist capabilities both in the first and second line with respect to risk management; and
- Improving the use of more forward-looking risk information to allow for more proactive management of risk.

In June, the Committee received and approved the detailed annual reports from the GCRO on the adequacy and operating effectiveness of risk management, the internal control environment, and risk embedding across the Group. The Committee has subsequently reviewed and approved the disclosures and statements in the Report and Financial Statements relating to risk management. Whilst the Committee acknowledges that further work is needed to develop the Group's risk management framework, it is satisfied that the effectiveness of the Group's risk management activities continues to improve. →

RISK COMMITTEE REPORT

CONTINUED

Risk exposures and reporting

The Committee is responsible for overseeing and advising the Board on the Group's current risk exposures and future risk strategy.

The Committee receives regular updates from the GCRO on the principal and emerging risks facing the Group. During the period under review, the Committee considered, in particular, risks to the Group associated with cyber-security, financial crime, the COVID-19 response, partner bank failures and operational resilience.

The risk function provides regular updates to the Committee on the status of the Group's risk profile. The assessments are supported by reference to the Board approved risk appetite, reviews of risk and compliance events and status of control effectiveness.

Specific matters or risk events are escalated to the Committee in accordance with the risk appetite statements and, during the period under review, the Committee has reviewed and opined on the various matters escalated to it. This has included resiliency events following spikes in demand, for example in November 2020 as a result of the announcement of a vaccine for COVID-19. Following the notification of a risk event, the Committee reviews the outputs from business root cause analysis and oversees the recommendations from management for future improvement to the Group's risk management systems.

COVID-19 pandemic

During the period under review, the Committee continued to oversee management's response to the COVID-19 pandemic, including the potential impacts resulting from COVID-19 fatigue amongst colleagues and the increased demand placed on the Group's platform as a result of client behaviour changing during the COVID-19 pandemic.

Governance framework improvements

In 2019 and 2020 the Group implemented a programme of improvements to the Group's governance framework and during the period under review, the Committee has received regular updates on progress made embedding and evidencing those improvements.

System outages and improvements to operational resilience

During the period under review the Group experienced one brief period of total outage of the Group's platform and two brief periods of partial outage in relation to specific functionalities within the Group's overseas trading systems which have now been upgraded. The brief period of total outage of the Group's platform arose as a result of procedural failures leading to the exposure of an underlying technical issue on the same day as the announcement that an effective vaccine for COVID-19 had been discovered. This was managed swiftly by our technical teams with lessons being identified and actions taken forward to minimise the risk of issues of this type in the future.

The Group's overseas share trading operation encountered difficulties due to unusually high trading volumes as a result of a technical weakness which was rapidly identified and remedied. The Committee has been heavily involved in reviewing the Group's operational resilience and ensuring that lessons have been identified and actions taken forward to minimise the risk of future events and maintain client service. In addition, the Committee has reviewed the approach to drive necessary enhancements relating to the recently published FCA Policy statement regarding operational resiliency expectations. Further oversight will continue through the upcoming period including the approval of operational resiliency thresholds as set out in Policy guidance.

ICAAP

An important aspect of the Committee's role is its annual review and challenge of updates to the Group's ICAAP. The 2020 ICAAP was a dominant feature of the Committee's agenda in the first half of the period under review, with the final output approved by the Board on the Committee's recommendation in December. Separate agenda items were dedicated to the constituent parts of the ICAAP, including the review of capital and liquidity requirements, operational risk scenarios, stress testing and the wind down plan.

The Committee's consideration of the Group's 2020 ICAAP included a detailed review of the scenarios used for the Pillar 2 operational risk scenarios, the severity of the stress tests and the improvements made following the external validation work carried out on the Group's Pillar 2 2019 ICAAP modelling. The Committee provided feedback and challenge to year-on-year movements and the impact of materialised risk events which occurred during the period on the scenarios. The Committee also reviewed and challenged the model assumptions and testing that underpin the Pillar 2 capital adequacy calculations.

Oversight of Risk function

The Group's second line Risk function is an integral part of its wider risk management framework. The Committee is responsible for approving its remit and ensuring it has adequate resources and appropriate access to information to enable it to perform its duties effectively. During the period under review, the Committee reviewed and approved changes to the Group's second line Risk Charter, Operating Cycle and the Group Risk Policy. The Committee also received regular updates from the GCRO on resourcing and workload, and received a detailed report on the operational effectiveness of the function at its June meeting. ➔

RISK COMMITTEE REPORT

CONTINUED

Remuneration and risk

The Committee also has responsibility for advising the Remuneration Committee on risk considerations to be applied to performance objectives incorporated into executive remuneration. During the period under review, the Committee reviewed the GCRO's paper to the Remuneration Committee relating to risk adjustments to senior management reward based on accountability for risk events that impacted, or nearly impacted, the Group, compliance issues and audit findings.

Risk Committee evaluation

During the period under review, the Committee has overseen the implementation of recommendations relating to its effectiveness from both the externally facilitated 2018 evaluation and internally led 2019 and 2020 evaluation of its performance. This has included adding a review of risk maturity to the Committee's rolling agenda and reviewing the provision of external advice to the Committee.

Risk Committee priorities for 2021/22

Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- Continuing the strengthening of the Group's risk management activities;
- Continuing to monitor and improve the resilience of the Group's operations;
- Reviewing and challenging proposed updates to the Group's 2021 ICAAP and recommending to the Board for approval; and
- Overseeing the Group's response to the Investment Firm Prudential Review, including the Group's preparedness for implementation by January 2022.

Andrea Blance

Chair of the Risk Committee

8 August 2021

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the audited consolidated financial statements for the year ended 30 June 2021.

The Company is the holding company for the Group. The Group's regulated operating subsidiaries carry out its business of providing financial products and services, principally to retail clients. The Group operates predominantly in the United Kingdom, with one operating subsidiary (HL Tech) located in Poland that provides IT development services to the rest of the Group.

The Directors' Report for the period under review comprises pages 126 to 129 of the Report and Financial Statements, as well as other sections incorporated by reference.

As permitted by legislation, certain information required to be included in the Directors' Report has instead been included in the Strategic Report, on the basis that the Board consider those matters to be of strategic importance. Commentary on the development and performance of the Group's business, including in the field of research and development, and an indication of likely future developments can be found on pages 01 to 64 of the Strategic Report. Disclosures relating to the Group's greenhouse gas emissions, energy consumption and the measures being taken to increase energy efficiency can be found on pages 47 to 48 of the Strategic Report.

Details of how the Group engages with its key stakeholders, including its shareholders, can be found on pages 36 to 37 of the Strategic Report and on page 71 of the Corporate Governance Report. Details of how the interests of stakeholders are considered in the Board's decision making can be found in the Section 172 Statement on pages 130 to 133.

The Strategic Report and the Directors' Report together form the Management Report for the purposes of DTR 4.1.8R. For the purposes of DTR 7.2.1R:

- A statement as to the Company's compliance with the Code and details of where the Code is publicly available can be found in the Chair's Introduction to Corporate Governance on page 67;
- A description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process can be found on pages 79 to 80;
- Information regarding significant shareholders, special rights regarding control of the Company, restrictions on voting rights, the appointment and replacement of Directors and changes to the Company's articles of association, and the powers of the Directors can be found on pages 126 to 129;
- A description of the composition and operation of the Group's corporate governance framework can be found on pages 72 to 73; and
- A description of the Group's diversity and inclusion policy, its objectives, how it has been implemented and the results in the period under review can be found on pages 29 to 35 and 116 to 117.

Information to be disclosed under LR 9.8.4R

Listing Rule 9.8.4R requires listed companies to include in their annual financial report all information required under Listing Rule 9.8.4R in a single identifiable section, or otherwise in a cross reference table indicating where that information is set out. The following cross reference table sets out where the relevant disclosures can be found in the Report and Financial Statements.

Listing Rule	Disclosure	Page reference
LR 9.8.4R (1) to (11)	Not applicable	Not applicable
LR 9.8.4R (12)	Current year dividend waiver agreements	Note 3.2 to the consolidated financial statements on page 160.
LR 9.8.4R (13)	Future dividend waiver agreements	Note 3.2 to the consolidated financial statements on page 160.
LR 9.8.4R (14)	Information regarding controlling shareholder	The Company does not have a Controlling Shareholder. Details of the ongoing relationship with the Company's former Controlling Shareholder can be found under the heading Shareholder Agreement on page 127.

Share capital structure

The Company's share capital consists of a single class of ordinary shares of 0.4p each. As at 30 June 2021 and the date of this report, there were 474,318,625 ordinary shares in issue, each of which is fully paid up, amounting to an aggregate nominal share capital of £1,897,274.50. Each ordinary share is listed on the Official List maintained by the FCA and admitted to trading on the Main Market of the London Stock Exchange. Further details of the Company's share capital can be found in note 3.1 to the consolidated financial statements on page 160. There were no changes to the Company's share capital during the period under review.

Rights attaching to shares and restrictions on transfer

The ordinary shares have attached to them full voting, dividend and capital distribution rights, and rank pari passu in all respects.

Save for deadlines for voting by proxy, there are no restrictions on voting rights attaching to, or on the transfer of, the Company's ordinary shares. Full details regarding the exercise of voting rights at the 2021 AGM, whether in person or by proxy, will be set out in the Notice of AGM. To be valid, the appointment of a proxy to vote at a general meeting must be received not less than 48 hours before the time of the meeting.

DIRECTORS' REPORT

CONTINUED

The Company is not aware of any agreements between the holders of ordinary shares that may restrict their transfer or the voting rights attaching to them.

None of the Company's ordinary shares carry any special rights regarding control of the Company.

Authority to allot or buy back shares

The Company was granted authority at the 2020 AGM to purchase in the market its own shares up to an aggregate nominal value of 10% of its issued ordinary share capital. No shares were purchased under this authority in the year to 30 June 2021 and up to the date of this report. This authority expires at the end of the 2021 AGM, at which a special resolution will be proposed for its renewal. This is a standard authority that the Directors have no present intention of exercising.

The Directors were granted authority at the 2020 AGM to allot relevant securities up to an aggregate nominal amount of £632,424.83, representing approximately one third of the Company's issued ordinary share capital. No shares were allotted under this authority in the year to 30 June 2021 and up to the date of this report. This authority expires at the end of the 2021 AGM, at which an ordinary resolution will be proposed for its renewal. This is a standard authority that the Directors have no present intention of exercising.

Shares held in trust for employee share schemes

Hargreaves Lansdown EBT Trustees Limited (the EBT Trustee) holds ordinary shares in the Company in trust under the terms of the Hargreaves Lansdown Employee Benefit Trust (the EBT) to satisfy the exercise of options granted to the Group's employees under its approved and unapproved share option schemes. Under the rules of the EBT, the EBT Trustee has discretion as to the exercise of voting rights attaching to ordinary shares held within the EBT. As at 30 June 2021, the EBT Trustee held 291,983 ordinary shares, equating to approximately 0.06% of the Company's issued ordinary share capital.

Hargreaves Lansdown Trustee Company Limited (the SIP Trustee) holds ordinary shares in the Company in trust under the terms of the Hargreaves Lansdown plc Share Incentive Plan (the SIP) to satisfy the exercise of options granted to the Group's employees under the SIP. Save where the Company notifies it that such waiver does not apply, the SIP Trustee must refrain from exercising the voting rights attaching to ordinary shares held in the SIP trust that have been allocated to employees. The SIP Trustee has no express power under the terms of the SIP to exercise voting rights attaching to ordinary shares held in the SIP trust that have not been allocated to employees. As at 30 June 2021, the SIP Trustee held 224,910 ordinary shares, equating to approximately 0.05% of the Company's issued ordinary share capital.

Substantial shareholdings

Notifications received by the Company in accordance with DTR 5 are published on a Regulatory Information Service and on the Company's website. As at 30 June 2021, the Company had been advised of the following voting interests in the Company's ordinary shares amounting to more than 3% of the Company's issued share capital.

Name	Ordinary shares	Percentage holding
Peter Hargreaves	93,838,474	19.78%
Lindsell Train Limited	66,332,279	13.99%
Stephen Lansdown	27,087,419	5.71%
Baillie Gifford	23,888,812	5.04%
BlackRock, Inc.	23,896,662	5.03%

In the period between 30 June 2021 and the date of this report, the Company received no further notifications.

Shareholder Agreement

The Company announced on 7 February 2020 that, following an accelerated bookbuild offering, Peter Hargreaves had reduced his shareholding to 24.35% and therefore ceased to be a controlling shareholder of the Company. Peter Hargreaves has continued to reduce his shareholding and now holds 19.78%.

In October 2020 the Board announced that in order to reflect Peter Hargreaves' continuing interest in the Company whilst respecting the strong independent governance principles of the Board, the Company had agreed with Peter to enter into a new shareholder agreement (the Agreement) to govern their ongoing relationship. Pursuant to the Agreement, Peter Hargreaves is entitled to nominate one non-independent, Non-Executive Director for appointment to the Board, subject to the applicable regulatory and governance framework that is observed by the Company. Peter Hargreaves exercised this right and Adrian Collins was appointed to the Board on 2 November 2020. This Agreement and nomination right shall remain in place for so long as Peter and his Associates' (as such term is defined in the Listing Rules) control or are entitled to control the exercise of at least 10 per cent of the Company's voting rights.

The Agreement intends to ensure that any transactions or arrangements with him are conducted at arm's length and on commercial terms, and that neither he nor his associates would prevent the Company complying with its obligations under the Listing Rules or propose or procure a shareholder resolution intended to circumvent the proper application of the Listing Rules.

Dividends

The Board recommends a final ordinary dividend of 26.6 pence per ordinary share to be paid in respect of the period ending 30 June 2021. Subject to shareholder approval at the 2021 AGM, it is proposed that this ordinary dividend, along with a special dividend declared by the Board on 8 August 2021, is paid on 20 October 2021 to all shareholders on the register at close of business on 24 September 2021.

DIRECTORS' REPORT

CONTINUED

Board of Directors

Powers of the Directors

The Company's articles of association (the Articles) set out the powers of the Directors. Subject to UK company law, the Articles and any directions given by special resolution of the Company, the Directors have been granted authority to exercise all the powers of the Company.

The Articles may only be amended by special resolution at a general meeting of the Company's shareholders.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Articles, the Code and the Companies Act 2006 and related legislation.

Under the Articles, Directors may be appointed, either to fill a vacancy or as an addition to the existing Board, by ordinary resolution of the Company or by resolution of the Board. If appointed by the Board, a Director must retire and, if willing to act, seek election at the next AGM following appointment.

In addition, the Articles require all Directors to retire at each AGM and, if willing to do so, offer themselves for re-election. This aligns to the requirements of provision 18 of the Code. Further details can be found on page 78 of the Corporate Governance Report.

In addition to the powers set out in the Companies Act 2006, the Articles provide for the removal of a Director before the expiration of their period of office by ordinary resolution of the Company.

The Board

The names of the Directors of the Company as at the date of this report, along with their biographies, are set out on pages 68 to 70. Appointments to and departures from the Board during the period under review are set out in the table below.

During the period under review, the Company announced that Penelope (Penny) James would join as an Independent Non-Executive Director with effect from 1 September 2021. Penny brings extensive financial services experience with strong leadership skills, financial and risk expertise, strategic thinking and cultural alignment. Since May 2019 Penny has been the Chief Executive Officer of Direct Line Insurance Group plc, having joined in November 2017 as Chief Financial Officer. Penny previously held a number of roles at Prudential plc including Group Chief Risk Officer and Director of Group Finance. Prior to this Penny was Group CFO at Omega Insurance Holdings Limited and CFO, UK General Insurance, at Zurich Financial Services. She was previously a Non-Executive Director of Admiral Group plc from 2015 to 2017.

Name	Role	Date of appointment/ departure
Fiona Clutterbuck	Independent Non-Executive Director	Resigned 8 October 2020
Stephen Robertson	Independent Non-Executive Director	Resigned 8 October 2020
Shirley Garrood	Independent Non-Executive Director	Resigned 31 December 2020
Andrea Blance	Independent Non-Executive Director	Appointed 1 September 2020
Moni Mannings	Independent Non-Executive Director	Appointed 1 September 2020
Adrian Collins	Nominated Director	Appointed 2 November 2020

Directors' interests

Details of the Directors' interests in the Company's ordinary shares can be found on page 110 of the Annual Report on Remuneration.

During the period under review, no Director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party (other than their own service contract) that required disclosure pursuant to the Companies Act 2006.

Directors' indemnities

As permitted by the Articles, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in place throughout the period under review and remains in place as at the date of this report.

The Company also maintains Directors' and Officers' liability insurance cover to protect the Directors from loss resulting from claims against them in relation to the discharge of their duties.

This cover was in place throughout the period under review and remains in place as at the date of this report.

Compensation for loss of office

There are no agreements in place between the Company and its Directors or employees for compensation for loss of office or employment as a result of a takeover bid.

Financial instruments and financial risk management

Details of the Group's financial risk management policies and objectives in relation to the use of financial instruments, and its exposure to market, liquidity and credit risk, can be found in note 5.7 to the consolidated financial statements on pages 166 to 171.

Change of control

There are no significant agreements to which any member of the Group is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

DIRECTORS' REPORT

CONTINUED

Employee engagement and involvement

The Group is committed to engaging and communicating with colleagues to ensure they understand the Group's purpose, vision and priorities and how they each play their part in the development of its business. Information on action taken to ensure colleagues are provided with information on matters that concern them and to promote awareness of the factors affecting the Group's performance can be found on pages 34 to 35 of the Strategic Report. Details of how the Group engages with colleagues and how their interests are considered in decision making can be found on pages 34 to 35 of the Strategic Report and in the Group's Section 172 Statement on pages 130 to 133.

Further details of how we encourage colleague involvement in the Group's performance, including by way of participation in share schemes, can be found on page 33 of the Strategic Report.

Details of the Group's policies for the recruitment, continuing employment and career development of disabled persons can be found on pages 33 of the Strategic Report.

Post-balance sheet events

Details of important events affecting the Group that have occurred since the end of the period under review can be found in note 5.5 to the consolidated financial statements on page 164.

Political donations

The Group did not make any political donations or contributions or incur any political expenditure during the period under review.

Annual General Meeting

The challenges posed by the ongoing COVID-19 pandemic may necessitate a change from the usual manner in which the Company holds its AGM. The Board will consider all options having regard to any restrictions on public gatherings, and the possibility of more severe restrictions being imposed at short notice. Further information, along with details of all resolutions to be proposed to the Company's shareholders and how to vote, will be set out in the Notice of AGM that will be circulated ahead of the meeting.

Electronic communications and dividend payments

Shareholder communications are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and the impact of the documents on the environment. Shareholders who wish to receive email notification instead of paper copies can register online at www.shareview.co.uk.

Shareholders can also request that dividends are paid directly into their bank or building society account via Shareview. This saves time and is more secure than receiving dividends by cheque, which could arrive late or be lost in the post.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position including the impact of Brexit and the COVID-19 pandemic. This includes the Group's principal risks and uncertainties, details of which can be found in the Strategic Report. The Operating and Financial Review on pages 59 to 64 of the Strategic Report describes the Group's robust balance sheet, managed to internal risk appetite and regulatory capital limits, and a business with a high conversion of operating profit to cash and a strong net cash position.

Having regard to the Group's financial, liquidity and capital position, the Board has concluded that it remains appropriate to adopt the going concern basis of accounting in preparing the Group's financial statements.

Long-term viability

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. Details of this assessment can be found on page 52 of the Strategic Report.

Disclosure of information to external auditor

Each of the persons who are Directors at the time when this report is approved confirms that:

- So far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- They have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Approved by and signed by order of the Board.

Victoria Orme

Group Company Secretary

8 August 2021

SECTION 172 STATEMENT

Understanding the views and interests of our stakeholders helps the Group make responsible and balanced decisions. In doing so, we aim to generate long-term value for the Company's shareholders whilst contributing to wider society by building strong and lasting relationships with our other key stakeholders.

Section 172 of the Companies Act 2006 requires the Directors to act in a way they consider will promote the success of the Company for the benefit of our shareholders as a whole. In doing so, the Directors must have regard (amongst other matters) to:

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

You can read more about how we engage with and respond to the interests and needs of our key stakeholders on pages 36 to 37 of the Strategic Report.

How the Board has discharged its Section 172 duties

The Directors are briefed on their duties as directors as part of the Group's induction programme and the Board as a whole periodically receives refresher training. Each Director also has access to the Group Company Secretary for advice on the application of those duties.

The Directors' awareness of their duties to the Company, combined with the knowledge and insights they obtain on the views and interests of the Group's key stakeholders and the impact of the Group on wider society, enables them to make balanced decisions that promote long-term sustainable value for the Company's shareholders. In practice, the Group operates within a corporate governance framework whereby responsibility for day-to-day decision making is appropriately delegated. In considering their duties under Section 172 when setting the Group's strategy, values and framework of policies, the Board aims to ensure that the consideration of stakeholder interests and the Group's long-term success is embedded across its business.

The Board recognises that the impact of each decision made by it and elsewhere in the Group's governance framework will be different for each of its key stakeholders. It understands the importance of considering the impact on each of those stakeholders, in order to balance their interests whilst promoting the success of the Group's business.

The Group's Board and Committee paper templates encourage paper authors to consider and highlight the impact on the Group's stakeholders of the matters covered. In addition to acting as an aid to the Board in discharging its duties and facilitating focused debate, this is intended to provide an additional layer of comfort that paper authors have properly considered and taken into account the interests of impacted stakeholders.

Further details of how the Board considers each of the specific matters set out in Section 172 is set out below, along with specific examples of how those considerations have influenced decisions taken by the Board and Group more widely.

Considering the long term

The Board sets the strategy, values and culture, and develops and oversees the Group's framework of governance, risk management and internal controls to promote and safeguard the Group's long-term success. The strategic goals and objectives it sets are focused around developing the Group's proposition and service to fulfil the long-term needs of its clients. You can read more about the Group's strategy on pages 26 to 35 of the Strategic Report. The Group's annual operating plan, which is approved each year by the Board, sets out how the Group intends to prioritise its efforts over a rolling three-year period in order to achieve its longer-term strategic objectives. Details of how stakeholder considerations influence the Board's approval can be found in the case studies on pages 132 to 133.

The Group provides an essential service to its clients in a highly regulated environment. The identification, management and mitigation of risks to the Group's business is key to ensuring the delivery of the Group's strategy over the longer term, and the consideration of risk plays an important part in decision making. You can read more about how the Group evaluates and manages risk along with a description of the principal and non-financial risks relating to the Company's operations on pages 50 to 58 of the Strategic Report.

Our employees

The Board recognises that understanding the needs of the Group's people is essential in developing a workplace and culture in which they can reach their full potential and, in turn, ensure the long-term success of the Group.

SECTION 172 STATEMENT CONTINUED

The Group's workplace advisory panel, the HL Colleague Forum, provides a feedback channel directly between colleagues and the Board on matters of strategic importance. It is chaired by the Chief People Officer and each meeting is attended by at least one Non-Executive Director and a broad range of colleagues from across the Group's business. In addition to the direct Board and Executive Committee representation on the Forum, details of the issues raised and outcomes are reported to the Remuneration Committee, with onward escalation to the Board where appropriate. You can read more about the Forum on page 34 of the Strategic Report.

The views of colleagues are also obtained via regular colleague surveys. Detailed results are shared with the Group Executive Committee, with key themes and issues escalated to the Board for consideration.

You can read more about how we engage with colleagues and the actions we have taken as a result of that engagement on page 34 of the Strategic Report. Details of how engagement with colleagues has influenced the Group's response to the COVID-19 pandemic can be found in the case study on page 133 of the Strategic Report.

Our clients

The Group's clients are at the heart of its strategy and their interests are a key consideration in everything that the Group does.

Both the Group Executive Committee and the Board regularly receive updates on client proposition and service metrics, and a significant portion of the pre-reading for the annual strategy day each attends is focused on client issues. The consideration and determination of current and future needs of clients drives the Group's innovation and the prioritisation of activities within the Group's annual operating plan.

You can read more about how we engage with our clients and the actions we have taken as a result of that engagement on pages 36 to 37 of the Strategic Report. You can read more about how consideration of our clients' interests have shaped our response to the COVID-19 pandemic in the case study on page 132 and on page 5 of the Strategic Report.

Our regulator

The FCA regulates the financial products and services provided by the Group. The Group's continued compliance with its regulatory obligations and the interests and views of the FCA are primary considerations in decision making across the Group. The Board is regularly briefed on regulatory developments and expectations, and the Board's Risk, Audit and Remuneration Committees receive detailed insights into specific areas such as the ICAAP, CASS, IFPR and MiFID II. The Board also receives updates in relation to specific matters, such as areas of interest to the FCA including operational resilience.

The Group maintains regular contact with the FCA to ensure awareness of its concerns, expectations and agenda, and this informs the prioritisation of activities within the Group's annual operating plan.

Our suppliers

Fostering good relationships with the Group's suppliers is an important factor in ensuring it is able to continue to service its clients effectively and efficiently over the long term. The Group is building on existing policies and procedures to further embed vendor management throughout the organisation, including a framework to promote consistency when overseeing relationships and performance. We aim to pay our suppliers promptly and within 30 days of payment being requested. Our average payment days during the period under review was approximately 21 days. We have also taken action to support our suppliers during the COVID-19 pandemic by increasing the frequency of our payment runs to pay smaller suppliers and those in particular need more quickly.

Acting fairly between shareholders

Information on how we engage with our shareholders and how the Board is made aware of shareholder sentiment and interests can be found on pages 36 to 37 of the Strategic Report and page 71 of the Corporate Governance Report.

The views and interests of the Company's shareholders are key considerations when the Board determines the level of dividend payments (further details of which can be found on page 64 of the Strategic Report), as well as when setting the Group's strategy and business priorities.

Impact on the community and the environment

The Board is conscious of the impact of the Group's operations on the community and environment, and understands the importance of being a good corporate citizen. You can read about how we set climate related targets in the case study on page 133 and about our other impact and initiatives in these areas on pages 39 to 44 of the Strategic Report.

The Chief People Officer, a member of the Group's Executive Committee, sponsors the Group's Environmental, Sustainability and Climate Change Group to promote environmental awareness and initiatives in strategic decision making.

The Board also recognises ESG as an increasingly important consideration and ESG matters have been the subject of a full deep-dive alongside the Chief Executive Officer's regular updates to the Board on the Group's approach. You can read more about our ESG practices on pages 38 to 43 of the Strategic Report.

You can read more about how consideration of our wider community has shaped our response to the COVID-19 pandemic in the on page 6 of the Strategic Report.

SECTION 172 STATEMENT CONTINUED

Maintaining a reputation for high standards of business conduct

The Board supports the Chief Executive Officer in embedding a culture that encourages the Group's colleagues to live our values and help the Group deliver on its strategic objectives. The Group encourages colleagues to 'do the right thing' to ensure that, as a business, we act with integrity in all our dealings and decisions with the aim of being clear, fair and transparent. This has recently been encapsulated in the communication of the HL Way to colleagues. You can find more information about the HL Way on page 31 of the Strategic Report and you can read more about how we considered our stakeholders in developing and launching the HL Way in the case study on page 133. The Board approves and oversees the Group's adherence to policies that promote high standards of conduct.

The Board receives regular updates on the Group's culture through KPIs that form part of the Chief Executive Officer's business performance update. During the period, the Board also carried out a deep-dive into the evolution of the Group's approach to diversity and building a culture of inclusion, as part of HL's commitment to building a market-leading culture. The Board received an update on the initiatives in progress to ensure that it continues to develop and align to the Group's purpose, values and strategy through the HL Way. You can read more on page 71 of the Corporate Governance Report.

Key decisions and consideration of stakeholder interests

The table below summarises how the Board and the wider Group have had regard to the duties under Section 172 when considering specific matters.

Approval of annual operating plan

Each year the Board considers and approves the Group's annual operating plan that determines the initiatives that the Group will prioritise in the year and the Group's cost profile over a rolling three-year period. In developing the operating plan, the Group considers:

- How prioritising certain change initiatives will promote the achievement of the Group's long term strategic objectives;
- Our clients, through the prioritisation of initiatives that develop our proposition and service to lead to better client outcomes;
- The views of major shareholders as to acceptable levels of cost in pursuing strategic objectives;
- Our colleagues through the prioritisation of initiatives that improve the colleague experience; and
- The FCA, through the prioritisation of activities that will support the Group's risk management and compliance with regulatory initiatives.

Response to COVID-19 pandemic

The Group's response to the COVID-19 pandemic has paid particular regard to:

- Our clients, by prioritising activities to maintain the services that clients tell us are most important and by making adjustments to our services to assist those with specific needs, such as those without internet access;
- The safety and wellbeing of our colleagues, by facilitating home working and by introducing new initiatives to support colleagues in looking after their and their families' physical and mental wellbeing; and
- Our community, by introducing a number of initiatives to support those most in need and support the region's economic and social recovery.

SECTION 172 STATEMENT CONTINUED

Launch of HL Way

During the period under review, the Group launched the HL Way as an umbrella term for 'how' we act within the Group. Further information on the HL Way can be found on page 31. In developing and launching the HL Way, the Group has paid particular regard to:

- Ensuring that the HL Way encourages a culture that will ensure the delivery of the best outcomes for clients and our community;
- The views of colleagues to ensure that the HL Way was created through consultation and based on the best practice that already existed and was communicated effectively; and
- The requirements of the FCA, our regulator, and the expectations of our shareholders in relation to our ability to ensure that we have effective decision making and risk management.

Setting climate related targets

During the period under review, the Group set the target of becoming carbon neutral by 2025 for Scope 1, 2 and 3 business travel and employee commuting emissions and of becoming net zero across all emissions no later than 2050. In setting these targets, the Group has paid particular regard to:

- The Group's impact on the environment and in particular that the use of carbon offsetting and aiming for being carbon neutral rather than net zero by 2025 was less beneficial for the environment. Work is being undertaken to work collaboratively with the Group's suppliers and analyse the Group's full Scope 3 emissions with the aim of bringing forward the net zero target once this data is available;
- The importance of climate related matters to our colleagues and potential benefits in terms of improving colleague retention and recruitment;
- Communication from our major shareholders who have highlighted that climate and the environment is a focus for them; and
- The growing awareness of climate related issues amongst our clients and the community and the need for us to be a responsible business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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 keeping adequate accounting records that are sufficient to show and explain the group's 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.

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

Each of the directors, whose names and functions are listed in the Directors' profiles on page 68 confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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; and
- the Directors' Report and Strategic Report contained in the Report and Financial Statements 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.

By order of the Board


Philip Johnson
 Chief Financial Officer

8 August 2021

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

Report on the audit of the financial statements

Opinion

In our opinion, Hargreaves Lansdown plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's and parent company's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements 2021 (the "Annual Report"), which comprise: the consolidated statement of financial position and the parent company statement of financial position as at 30 June 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the parent company statement of changes in equity and the parent company statement of cash flows 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 5.1 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in the Audit Committee report, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview



- As part of designing the scope of 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.
- Revenue recognition (group)
- Impact of COVID-19 (group and parent)
- Overall group materiality: £18,300,000 (2020: £18,900,000) based on 5% of consolidated profit before tax.
- Overall parent company materiality: £9,800,000 (2020: £10,700,000) based on 5% of profit before tax.
- Performance materiality: £13,700,000 (group) and £7,300,000 (parent 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC CONTINUED

This is not a complete list of all risks identified by our audit. The key audit matters below are consistent with last year.

Key audit matter: Revenue recognition (group)

Revenue is material to the group and is an important determinant of the group's results.

Revenue may be misstated due to errors in system calculations and/or manual processes, for example, arising from incorrect securities' prices or levels of assets held used in such calculations and/or processes. Further, there are incentive schemes in place for Directors and staff which are in part based on the group's revenue performance. Where there are incentives based on financial performance, there is an inherent risk of fraud in revenue recognition in order to misstate revenue. This may arise through unauthorised changes to key data inputs or system calculations used in the revenue recording processes and/or posting journal entries to manipulate revenue. Our assessment in this regard in respect of each of the group's revenue streams concluded that relevant areas of risk related to the three areas described below.

In order to address these areas of heightened risk, we evaluated the design and implementation of key controls as well as performing the following procedures:

Area of focus	How our audit addressed the key audit matter
The potential manipulation of key data inputs used in the automated calculation of platform fees (e.g. number of units held) or stockbroking commission (e.g. fee rates) in the administration system.	<p>We tested relevant IT controls over the administration system, as well as the systems which capture and transmit customer transactions to the administration system.</p> <p>We identified and tested relevant IT dependencies (e.g. the interface between the front end systems and the administration system) used in the revenue reporting process.</p> <p>In addition to this we tested management's controls over the accuracy of relevant data in the administration system (for example over the recording of customer holdings, and matching of transactions to third party records).</p> <p>We identified a number of exceptions from our testing of controls and therefore performed additional work to address these including consideration of mitigating controls, with no further issues arising.</p> <p>We tested samples of key data inputs held and used in the administration system to supporting documentation, with no exceptions being noted from this testing.</p>
The potential manipulation of the calculation logic within the administration system to increase reported revenue from platform fees and stockbroking commission, or the potential manipulation of manual spreadsheet calculations of interest on client money.	<p>We used our data analytics software to reperform the platform fees and stockbroking commission calculations, using source data extracted from the administration system. We independently performed the calculation of interest on client money using source data extracted from records held by the group. We then compared our independent recalculations to the amounts reported.</p> <p>With respect to the recalculations, we noted differences which in quantitative terms were trivial. We investigated these differences and did not consider them to require further testing.</p>
Posting journals to manipulate reported revenue amounts.	<p>We tested a risk-based sample of revenue related journals as part of our overall response to the risk of management override of controls. No exceptions were noted from this testing.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC CONTINUED

Given that revenue is material to the group and is an important determinant of the group's results we also performed testing to address other aspects of revenue recognition, where we had concluded that the risk of misstatement was not heightened. These related to other revenue streams such as fund management fees calculated by the third-party fund administrator, as well as characteristics such as whether revenues had occurred, been completely recorded, and recorded in the correct period.

We recalculated fund management fees using confirmations of daily net asset values provided by the third-party fund administrator and published annual management charge rates. We reviewed the third-party fund administrator's annual controls report considering key controls over the net asset values we had used in our testing.

We tested whether revenue had been completely recorded and recorded in the correct period, by selecting a sample of transactions around the period end to assess whether the effective date was correct within the administration system revenue calculations. We obtained evidence in respect of the occurrence of revenue recorded by the group from testing a sample of transactions to corroborating evidence such as client instructions and third party settlement records, and from our testing of selected bank reconciliations. No exceptions were noted from this testing.

Key audit matter: Impact of COVID-19 (group and parent)

We consider the impact of COVID-19 on the group and parent to be a key audit matter as the impacts of the pandemic continue to cause significant social and economic disruption up to the date of reporting. Management has updated their inherent risk assessment and plans, and prepared an updated going concern assessment based on this future outlook.

Area of focus

We considered the impact on our audit work, since it has continued to be performed remotely.

How our audit addressed the key audit matter

Our audit procedures included steps to evaluate and validate the reliability and authenticity of information recorded and shared electronically. These have included call back procedures to third party banks, and where we aim to rely on transactions from excel bank statements provided by management, we have traced a sample of transactions back to the online bank portal.

We considered the impact COVID-19 has had on internal controls related to financial reporting.

We enquired of management, Operations, IT, Internal Audit and Risk as to changes and/or issues relating to the internal control environment due to COVID-19, and evaluated the results of our walkthrough and controls testing. We also reviewed minutes of Board and Committee meetings during the year, complaints records, as well as correspondence with external stakeholders and we considered the results of other testing procedures to support these enquiries.

We considered the impact on operations and management's assessment of going concern, and related disclosures.

We reviewed management's assessment of the appropriateness of the use of the going concern basis for the group's and parent company's financial statements. We also evaluated the appropriateness of the downside scenarios considered within the assessment. In doing so we reviewed supporting evidence, including the group's operating plans, regulatory capital assessments, and assessed whether they had appropriately considered the potential impact of COVID-19 on the group's plans and forecast financial performance.

We enquired as to the extent to which any issues had been identified with cyber security arrangements, in view of the groups' technology dependent operating environment.

We enquired as to the impact of COVID-19 at the group's key market counterparties, technology providers and other service providers. We also obtained controls reports and bridging letters for selected service providers that covered the audited period.

Based on the testing and enquiries noted above, and supplemented with the results of all other audit work performed, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC CONTINUED

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 parent company, the accounting processes and controls, and the industry in which they operate.

The group comprises 19 separate reporting units. It operates primarily in the UK, and has one Polish based subsidiary. There were 5 key operating subsidiaries during the year. We considered two subsidiaries to be financially significant reporting units, Hargreaves Lansdown Asset Management Limited and Hargreaves Lansdown Fund Managers Ltd., on which we performed an audit of their complete financial information. Together these two financially significant reporting units represent 108% of the group's consolidated profit before tax (before considering the impact of intercompany eliminations) and 97% of the group's consolidated revenue. A reporting unit was considered to be financially significant if it contributed more than 10% of consolidated profit before tax. Specific audit procedures were also performed over consolidation adjustments, balances that could be tested centrally which included intangible assets, staff costs, cash and cash equivalents, term deposits and material movements through the consolidated statement of changes in equity. All of the audit work was performed by the group engagement team in the UK.

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:

	Financial statements – group	Financial statements – parent company
Overall materiality	£18,300,000 (2020: £18,900,000).	£9,800,000 (2020: £10,700,000).
How we determined it	5% of consolidated profit before tax	5% of profit before tax
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax is the primary measure used by the shareholders in assessing the financial performance of the group, and is a generally accepted auditing benchmark. Our approach is consistent with that used in the prior year.	Based on the benchmarks used in the Annual Report, profit before tax is the primary measure used by the shareholders in assessing the financial performance of the group, and is a generally accepted auditing benchmark. We have applied a consistent approach in calculating the parent company's materiality. Our approach is consistent with that used in the prior year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC CONTINUED

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £4,200,000 and £16,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £13,700,000 for the group financial statements and £7,300,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £900,000 (group audit) (2020: £945,000) and £500,000 (parent company audit) (2020: £533,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining, evaluating and challenging management's updated going concern assessment (specifically covering operational resilience, current and projected capital and liquidity positions, and the appropriateness of downside scenarios) using our knowledge of the group's business performance and review of regulatory correspondence.
- Agreeing cash flow forecasts to the Board approved operating plan (which is used in management's assessment) and performing lookback testing over budgeted versus actual results for the previous year to assess the historical accuracy of management's forecasting.
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of the impact of COVID-19.
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including review of Risk and Audit Committee meeting minutes.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 HARGREAVES LANSDOWN PLC CONTINUED

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below:

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 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent 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.

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the directors' report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, 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 parent 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 parent 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC CONTINUED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with laws and regulations related to breaches of regulatory principles, governed by the Financial Conduct Authority (the Listing Rules, the Financial Conduct Authority's Client Asset Sourcebook) and the UK 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 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 posting inappropriate journal entries to increase revenue of the Group. Audit procedures performed by the engagement team included:

- Discussions with the Risk and Compliance function, Internal Audit and the company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the Audit Committee papers in which whistle blowing matters are reported and considered the impact of these matters on the group's compliance with laws and regulations;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board, Risk and Audit Committees
- Reviewing data regarding customer complaints and the company's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations increasing reported revenues; and
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular

items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 parent 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

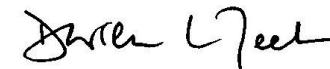
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent 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 parent company financial statements and the part of the 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 members on 25 October 2013 to audit the financial statements for the year ended 30 June 2014 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 30 June 2014 to 30 June 2021.



Darren Meek (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 August 2021

SECTION 1: RESULTS FOR THE YEAR

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Revenue	1.1	631.0	550.9
Fair value gains on derivatives		0.6	1.7
Operating costs	1.3	(266.0)	(214.9)
Operating profit		365.6	337.7
Finance income	1.6	1.4	2.8
Finance costs	1.7	(1.0)	(1.0)
Other gains	4.1	-	38.8
Profit before tax		366.0	378.3
Tax	1.8	(69.7)	(65.1)
Profit for the financial year		296.3	313.2
Attributable to:			
Owners of the parent		296.7	313.1
Non-controlling interest		(0.4)	0.1
		296.3	313.2
Earnings per share			
Basic earnings per share (pence)	1.9	62.6	66.1
Diluted earnings per share (pence)	1.9	62.5	65.9

The results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit for the financial year	296.3	313.2
Total comprehensive income for the financial year	296.3	313.2
Attributable to:		
Owners of the parent	296.7	313.1
Non-controlling interest	(0.4)	0.1
	296.3	313.2

The results relate entirely to continuing operations.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT

1.1 Revenue

Revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided in the normal course of business, net of commission payable, discounts, VAT and other sales related taxes.

Ongoing Revenue

The largest source of revenue for the Group encompasses ongoing revenue, which includes platform fees, fund management fees, interest on client money and ongoing advisory fees and renewal commission. This is revenue predominantly earned over time.

Platform fees are received for the provision of custody and administration of products on the HL platform and are charged monthly in arrears for the service provided in the period, recognised on an accruals basis as they fall due. The consideration due is based on the value of clients' underlying assets under administration.

Fund management fees are calculated as a proportion of the net asset value of the funds under management in each of the HL Multi-Manager and Select funds for the management services provided by the Group's fund management subsidiary. They are charged monthly in arrears and are recognised on an accruals basis in the period during which the service is provided.

Interest earned on client money is the net interest margin earned on money held within Group products by clients and is accrued on a time basis, based on the client money balances under administration and by reference to the effective interest rate applicable.

Renewal commission is earned on third party agreements entered into by clients, as a result of advice provided to them and is recognised on an accruals basis as it becomes due and payable to the Group.

Ongoing adviser charges are levied monthly in arrears for the period during which the service is provided and are calculated as a percentage of the assets under management within the Group's portfolio management service.

The portfolio management service is provided to clients who prefer a managed service. This service encompasses the HL platform custody and administration, fund management and ongoing advice services. All revenue streams are as described above. Additionally initial advice charges are levied on taking the product up or on any advised deposit into the product, as described in transactional revenue below. Each stream is separately charged in relation to the product. Each stream can also be taken by HL clients who do not use the portfolio management service, either as separate services or in any combination as required.

Although most ongoing revenue is based on the value of underlying benefits, these are not considered to constitute variable income in which significant judgement or estimation is involved. The calculations are based on short timelines or point in time calculations that represent the end of a quantifiable period, in accordance with the contract. These are charged to and paid by the client on the same value, constituting the transaction price for the specified period. At any time during the period a client may choose to remove their assets from a service and no further revenue is received.

All obligations to the customer are satisfied at the end of the period in which the service is provided for recurring revenue, with payment being due immediately.

Transactional

The other source is revenue earned on individual transactions and is primarily made up of stockbroking commission and advisory event driven fees. The price is determined in relation to the specific transaction type and are frequently flat fees. There is no variable consideration in relation to transactional revenue.

The Group earns fees on stockbroking transactions entered into on behalf of clients. The fee earned is recorded in the accounts on the date of the transaction, being the date on which services are provided to clients and the Group becomes entitled to the income.

Initial adviser charges are made to clients for providing advice to clients on specific financial matters or in relation to amounts deposited into the portfolio management service. This can take the form of ad hoc advice on a specific pool of assets or initial advice about taking managed services. The transaction price is determined at the point advice is accepted based on the final value of assets that are being advised upon. Revenue is recognised at the point at which acceptance of the advice is made by the client and payment is taken on the implementation of advice. The average time between acceptance and implementation is 30 days, if advice is not accepted then no charge will be taken. If the client is advised to take a managed service, ongoing adviser charges are levied separately.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.1 Revenue continued

Other

Other revenue was made up entirely of the provision of funds data services and research to external parties through Funds Library. Billing was either carried out in advance or in arrears with transactional amounts determined in advance and agreed in line with the contract for services. For those amounts billed in advance, the income was deferred over the contract period. Those amounts billed in arrears were accrued for over the performance period of the contract, in line with the estimated usage of services.

Timing and significant judgements made in relation to revenue

As at year end, the Group has discharged all of its obligations in relation to contracts with customers, other than in relation to those services that are billed in advance or arrears. These amounts are not material and where an obligation still exists at year end and the payment exceeds the services rendered a contract liability is recognised, as deferred income in trade payables and spread across the period of the transaction evenly. At the end of the period the longest period of liability in relation to deferred income is three months.

None of the revenue streams contain financing components.

There are no significant judgements made in relation to the timing or determination of transaction price of any revenue streams.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Platform Fees	263.7	234.4
Fund Management Fees	60.8	63.6
Ongoing Adviser Fees	9.0	10.2
Interest earned on client money	51.9	91.2
Renewal commission	5.1	4.9
Fees on stockbroking transactions	231.6	127.3
Initial adviser charges	5.1	8.6
Other transactional income	3.8	4.2
Other revenue	—	6.5
Total Revenue	631.0	550.9

1.2 Segmental reporting

Under IFRS 8, operating segments are required to be determined based upon the way the Group generates revenue and incurs expenses and the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. In the case of the Group, the CODM is considered to be the Executive Committee.

It is the view of the Board and of the Executive Committee that there is only one segment, being the Group – a direct wealth management service administering investments in ISA, SIPP and Fund & Share accounts, providing services for individuals and corporates. Given that only one segment exists, no additional information is presented in relation to it, as it is disclosed throughout these financial statements.

The Group does not rely on any individual customer and so no additional customer information is reported.

1.3 Operating costs

Operating costs

Operating costs represent those arising as a result of our operations and include depreciation and amortisation. All amounts are recognised on an accruals basis.

Leasing

Leases that are considered short term or low value under IFRS 16 are charged to the income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into a lease are also spread on a straight line basis over the lease term.

Marketing and distribution costs

Marketing and distribution costs include advertising and marketing costs, as well as the cost of providing statements and information to clients.

Dealing and financial services costs

Dealing and financial services costs are those costs associated with the cost of doing business in relation to stockbroking and volume related transactions.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.3 Operating costs continued

Operating profit has been arrived at after charging:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Depreciation of owned plant and equipment and rights of use assets (note 2.3)	9.0	8.4
Amortisation of other intangible assets	6.1	5.2
Impairment of intangible assets	1.1	—
Marketing costs	28.3	23.9
Operating lease rentals payable – property	0.1	0.1
Office running costs – excluding operating lease rents payable	4.9	4.3
FSCS costs	13.9	13.7
Dealing and financial services costs	35.6	15.1
Data and technology costs	22.8	14.8
Other operating costs ¹	24.4	28.2
Staff costs (note 1.5)	119.8	101.2
Operating costs	266.0	214.9

¹Included in other costs are fair value movements on investments as disclosed in note 2.4

1.4 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Audit fees		
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	0.1	—
Fees payable to the Company's auditors and its associates for the audits of the Company's subsidiaries	0.4	0.2
Audit related assurance services	0.4	0.2
	0.9	0.4

Audit fees in the prior year for the Company are below £50,000 and due to rounding are not shown in full in the above table. Audit and related services provided by the auditor are discussed further in the Audit Committee report on page 84.

1.5 Staff costs

Staff costs represent amounts paid to employees and NEDs in respect of services provided in the year including wages and salaries, share based payment expenses, bonuses, payments to a defined contribution retirement benefit scheme and related social security costs. Amounts are recognised as the services are provided.

	Year ended 30 June 2021 No.	Year ended 30 June 2020 No.
The average monthly number of employees of the Group (including Executive Directors) was:		
Operating and support functions	1,360	1,175
Administrative functions	479	424
1,839 1,599		
Their aggregate remuneration comprised:		
Wages and salaries	97.5	84.9
Social security costs	10.8	6.8
Share based payment expenses	4.5	3.6
Other pension costs	11.6	10.0
Total costs paid for staffing	124.4	105.3
Capitalised in the year	(4.6)	(4.1)
Staff costs	119.8	101.2

The staff costs of £119.8 million (2020: £105.3 million) are net of costs capitalised under intangible assets. In total, £3.9 million of wages and salaries (2020: £3.4 million), social security costs of £0.4 million (2020: £0.4 million) and pension costs of £0.3 million (2020: £0.3 million) were capitalised. See note 2.2 for further detail of the amounts capitalised.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.6 Finance income

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Interest on bank deposits	1.1	2.8
Other finance income	0.3	—
	1.4	2.8

1.7 Finance costs

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Commitment fees	0.3	0.3
Interest incurred on lease payables	0.7	0.7
Finance costs	1.0	1.0

The finance costs relate to the commitment fees paid in respect of a revolving credit facility available to the Group. The facility allows the Group to draw up to £75 million (2020: £75 million) and is undrawn as at 30 June 2021. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn. After 30th June 2021 the interest charges have been updated to reflect the change in LIBOR and are subsequently 0.85% plus SONIA.

Interest incurred on lease payables is in relation to the right of use assets arising due to the leases of the Group accounted for under IFRS16 and the incremental borrowing rate implied in the lease. The incremental borrowing rate for each lease is considered based on the relevant terms of the lease taking into account factors such as length of lease, the location and economic factors impacting the asset and the credit rating of the Group company entering into the lease. The rates range between 2.5% and 4.4%, with a weighted average incremental borrowing rate of 2.8%.

1.8 Tax

Taxation

The tax expense represents the sum of the tax currently payable and 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 it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable 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 can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or 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 and associates, 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.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and 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.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.8 Tax continued

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Current tax: on profits for the year	70.4	64.9
Current tax: adjustments in respect of prior years	(0.1)	0.3
Deferred tax (note 2.8)	(0.6)	0.4
Deferred tax: adjustments in respect of prior years (note 2.8)	—	(0.5)
	69.7	65.1

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2021 (2020: 19%).

In addition to the amount charged to the consolidated income statement, certain tax amounts have been charged or (credited) directly to equity as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Deferred tax relating to share based payments	(0.2)	0.7
Current tax relating to share based payments	1.1	(0.9)
	0.9	(0.2)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of Finance Act 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's taxable profits for this accounting year are taxed at 19%. Deferred tax has been recognised at either 19% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference. This is an increase from the rate of only 19% used in the prior year. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2021.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit before tax	366.0	378.3
Tax at the standard UK corporation tax rate of 19.0% (2020: 19.0%)	69.5	71.9
Non-taxable income	—	—
Non-taxable gain on disposal of subsidiary	—	(7.4)
Items not allowable for tax	0.5	0.7
Adjustments in respect of prior years	(0.1)	0.1
Impact of the change in tax rate	(0.2)	(0.2)
Tax expense for the year	69.7	65.1
Effective tax rate	19.0%	17.2%

Factors affecting future tax charge

Any increase or decrease to the share price of Hargreaves Lansdown plc will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.9 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in free issue during the year, including ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust (HL EBT) and Hargreaves Lansdown SIP Trust (SIP) reserve which have vested unconditionally with employees.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was nil at 30 June 2021 (2020: nil).

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	296.7	313.1
Number of shares		
Weighted average number of ordinary shares	474,318,625	474,318,625
Weighted average number of shares held by HL EBT and SIP	(532,185)	(527,322)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	4,335	44,555
Weighted average number of ordinary shares for the purposes of basic EPS	473,790,775	473,835,858
Weighted average number of dilutive share options held by HL EBT and SIP that have not vested unconditionally with employees	754,901	989,475
Weighted average number of ordinary shares for the purposes of diluted EPS	474,545,676	474,825,333
Earnings per share	Pence	Pence
Basic EPS	62.6	66.1
Diluted EPS	62.5	65.9
Underlying basic EPS	62.6	57.9
Underlying diluted EPS	62.5	57.8

1.10 Share based payments

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Share options are expensed on a straight line basis over the vesting period, based on management's best estimate of awards vesting and adjusted for the impact of non-market based vesting conditions. Annual revisions are made to the estimate of awards vesting, based on non-market based vesting conditions. The impact of the revision is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Any gains or losses on the sale of the Company's own shares held by the EBT are credited or debited directly to the EBT reserve.

Equity settled share option scheme

The Group seeks to facilitate equity ownership by employees, principally through schemes that encourage and assist the purchase of the Company's shares.

The Group operates three share option and share award plans: the Employee Savings Related Share Option Scheme (SAYE), the Hargreaves Lansdown plc Share Incentive Plan (SIP) and the Hargreaves Lansdown Company Share Option Scheme (the Executive Option Scheme).

Awards granted under the SAYE scheme vest over three or five years. Awards granted under the Employee Share Incentive Plan vest over a three year period. Awards granted under the Executive Option Scheme range between vesting at grant date and a maximum of 10 years. Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. There are currently no performance conditions attached to any options granted under any of the schemes, with the exception of the Sustained Performance Plan (SPP) – a part of the Executive Option Scheme, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest. Unless otherwise stated there have been no lapsed or forfeited options during the year.

SECTION 1: RESULTS FOR THE YEAR

NOTES TO THE GROUP FINANCIAL STATEMENTS

INCOME STATEMENT CONTINUED

1.10 Share based payments continued

Details of the share options and share awards outstanding during the year are as follows:

	Year ended 30 June 2021		Year ended 30 June 2020	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	826,006	1,238.6	891,943	1,191.4
Granted during the year	217,196	1,232.0	472,607	1,163.0
Exercised during the year	(133,947)	1,290.9	(376,102)	998.5
Lapsed during the year	(1,362)	1,057.0	—	—
Forfeited during the year	(115,167)	1,268.3	(162,442)	1,315.5
Outstanding at the end of the year	792,726	1,223.9	826,006	1,238.6
Exercisable at the end of the year	9,555	1,377.0	38,015	992.8
Executive Option Scheme				
Outstanding at beginning of the year	1,525,442	674.9	1,838,711	759.6
Granted during the year	263,284	—	137,104	—
Exercised during the year	(430,901)	608.4	(304,841)	655.3
Lapsed during the year	—	—	(33,036)	1,329.0
Forfeited during the year	(17,812)	—	(112,496)	1,150.6
Outstanding at the end of the year	1,340,013	572.6	1,525,442	674.9
Exercisable at the end of the year	638,671	1,093.6	425,224	902.7
SIP				
Outstanding at beginning of the year	34,885	23.5	34,885	23.5
Exercised during the year	—	23.5	—	23.5
Outstanding at the end of the year	34,885	23.5	34,885	23.5
Exercisable at the end of the year	34,885	23.5	34,885	23.5

The weighted average market share price at the date of exercise for options exercised during the year was 1,653.7 pence (2020: 1,806.8 pence).

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2021		Year ended 30 June 2020	
	Share options No.	Weighted average options exercise price Pence	Share options No.	Weighted average options exercise price Pence
Weighted average expected remaining life				
0-1 years	989,867	986.2	1,279,819	927.9
1-2 years	582,258	853.0	332,321	952.0
2-3 years	429,274	616.7	615,820	891.1
3-4 years	79,440	0.0	71,948	0.0
4-5 years	86,784	0.0	86,425	0.0
	2,167,623	801.6	2,386,333	860.1
The fair value at the date of grant of options awarded during the year ended 30 June 2021 and the year ended 30 June 2020 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:				
			At 30 June 2021	At 30 June 2020
Weighted average share price			1,597.37	1,764.9p
Expected dividend yields			1.61%	3.05%
SAYE				
Weighted average exercise price			1,232p	1,163p
Expected volatility			39%	34%
Risk free rate			0.15%	0.12%
Expected life			3 years	3 years
Fair value			441.0p	294.0p
Executive scheme				
Weighted average exercise price			0.00p	0.00p
Expected volatility			35%	30%
Risk free rate			(0.09)%	0.37%
Expected life			4.4 years	4.7 years
Fair value			1,607.6p	1,806.1p

The expected volatility

The expected Hargreaves Lansdown plc share price volatility was determined by calculating the historical volatility of the Group's share price since flotation in May 2007. Prior to 15 May 2007, the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. Since 15 May 2007, a quoted market price has been available for the Company's shares.

The Group recognised total expenses related to equity settled share based payment transactions as shown in note 1.5.

SECTION 2: ASSETS AND LIABILITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	At 30 June 2021 £m	At 30 June 2020 £m
ASSETS			
Non-current assets			
Goodwill	2.1	1.3	1.3
Other intangible assets	2.2	33.6	28.0
Property, plant and equipment	2.3	28.6	33.2
Deferred tax assets	2.8	3.7	3.1
		67.2	65.6
Current assets			
Investments	2.4	0.9	0.6
Derivative financial instruments	2.5	—	0.1
Trade and other receivables	2.6	869.2	973.2
Cash and cash equivalents	2.7	445.3	235.9
Current tax assets		1.5	0.7
		1,316.9	1,210.5
Total assets		1,384.1	1,276.1
LIABILITIES			
Current liabilities			
Trade and other payables	2.9	774.0	696.7
Derivative financial instruments	2.5	—	0.1
		774.0	696.8
Net current assets		542.9	513.7
Non-current liabilities			
Provisions	2.10	2.7	0.8
Non-current liabilities	2.9	—	1.0
Non-current lease liabilities	2.11	15.0	19.9
Total liabilities		791.7	718.5
Net assets		592.4	557.6
EQUITY			
Share capital	3.1	1.9	1.9
Shares held by EBT reserve		(4.8)	(6.3)
EBT reserve		(3.1)	(1.9)
Retained earnings		599.5	564.6
Total equity, attributable to the owners of the parent		593.5	558.3
Non-controlling interest	3.1	(1.1)	(0.7)
Total equity		592.4	557.6

The consolidated financial statements on pages 143 to 172 were approved by the Board and authorised for issue on 8 August 2021 and signed on its behalf by:

Philip Johnson
Chief Financial Officer



SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.1 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating unit expected to benefit from the synergies of the combination.

Cash generating units to which goodwill has been allocated are reviewed for impairment at least annually as a matter of course, and whenever an event or change in circumstances occurs which indicates potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Cost – at beginning and end of year	1.5	1.5
Accumulated impairment losses		
At beginning and end of year	0.2	0.2
Carrying amount – at end of year	1.3	1.3

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited (HLPD) now named Hargreaves Lansdown Advisory Services Limited (HLAS).

The Group has prepared financial forecasts for the business for the period to June 2023 that show the Group as a whole is expected to remain profitable and cash generative. HLAS made a loss in the financial year, but has a net asset position as at 30 June 2021 and forecasts to June 2023 show a return to profitability. As a result there are no significant indicators that goodwill is impaired.

2.2 Other intangible assets

Other intangible assets comprise customer lists, computer software and the Group's key operating system, which are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight line method over its estimated useful life as follows:

Customer list – eight years

The customer list relates to acquired books of business and does not include internally generated client lists. The carrying value of the assets is reviewed for impairment at least every 12 months, or when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software – over three to eight years

Computer software relates to purchases of licences and software, in line with the requirements of IAS 38. The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Internally developed software – eight years

IT development costs are capitalised only to the extent that they have led to the creation of enduring assets, which deliver benefits at least as great as the amount capitalised and in accordance with the recognition criteria of IAS 38 intangible assets.

When assessing projects for capitalisation we apply IAS 38's recognition and measurement criteria for internally generated intangible assets to development expenditure that is both propositional in nature (as opposed to regulatory or administrative), and which is, or is expected to be, material over the life of the project.

Development work has been undertaken in house by IT staff and management to enhance the key operating system. The key operating system is fundamental to the operation of the platform, which holds client assets, enabling revenue to be earned.

In house development work has also been undertaken in Hargreaves Lansdown Savings Limited to develop a digital cash savings product. Development commenced in the year to 30 June 2016. The Group launched the service in December 2019 to a limited number of clients and is committed to providing the financial resources required to see it through to expected profitability, having since grown the number of clients to approximately 91,000.

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.2 Other intangible assets continued

Costs relating to an asset that is not yet fully available for use by the business, are classified as internally developed software and are reviewed for impairment at least annually. No issues have been noted in the current year. In accordance with the provisions of IAS 38 the costs are capitalised as an intangible asset and subsequently amortised over the estimated useful life of the systems of eight years, starting from the date at which the assets are put into use.

Impairment of intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss. Where the asset does not generate cash flows, independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Recoverable amount is the higher of fair value, less costs to sell, and value in use.

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 and an impairment loss is recognised as an expense immediately.

	Customer list £m	Computer software £m	Internally developed software £m	Total £m
Cost				
At 1 July 2019	3.8	17.4	17.7	38.9
Additions	0.8	0.7	8.7	10.2
At 30 June 2020	4.6	18.1	26.4	49.1
Asset reclassification	–	(2.8)	2.8	–
Additions	–	1.2	11.6	12.8
Disposals	–	(0.7)	(0.4)	(1.1)
Impairment	–	–	(1.3)	(1.3)
At 30 June 2021	4.6	15.8	39.1	59.5
Accumulated amortisation				
At 1 July 2019	0.3	11.6	4.0	15.9
Charge	0.5	2.3	2.4	5.2
At 30 June 2020	0.8	13.9	6.4	21.1
Charge	0.4	1.6	4.1	6.1
Disposals	–	(0.7)	(0.4)	(1.1)
Impairment	–	–	(0.2)	(0.2)
At 30 June 2021	1.2	14.8	9.9	25.9
Carrying amount				
At 30 June 2021	3.4	1.0	29.2	33.6
At 30 June 2020	3.8	4.2	20.0	28.0
At 1 July 2019	3.5	5.8	13.7	23.0

The amortisation charge above is included in operating costs in the income statement.

The impairment incurred in the year relates to the write off of a single item of internally developed advice software, for which there is no longer an intended future use. It has been written off in full and net book value of £1.1m has been recorded in operating costs in the income statement.

The customer lists are a separately acquired intangible asset and do not include any internally generated element. The remaining amortisation period for these assets is six to eight years.

Computer software includes externally acquired licences and internally generated system improvements. Commitments in respect of intangible assets are shown in note 5.3.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to working condition for its intended use.

Property, plant and equipment now includes both owned and leased assets. Owned assets are measured initially at cost and subsequently at cost less accumulated depreciation. Leased, or right of use, assets are measured initially at the present value of all future lease payments, less any prepaid or accrued rent or incentives and any expected dilapidation cost being the initial value. Subsequently, leased assets are measured at initial value less accumulated depreciation.

Depreciation is charged based on the estimates of useful economic lives and expected residual values, which are reviewed annually, for all plant and equipment, except for leased assets which are depreciated on a straight line basis over their economic lives. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors, such as any expected changes in technology. The charge is calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight line method over its estimated useful life as follows:

Computer hardware – over three to ten years.

Office equipment (includes fixtures and leasehold improvements) – over three to ten years.

Right of use assets – over the term of the associated lease.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.3 Property, plant and equipment continued

Property, plant and equipment

	Right-of-use assets £m	Computer hardware £m	Office equipment £m	Total £m
Cost				
At 1 July 2019	–	36.0	11.3	47.3
Additions	–	5.1	0.3	5.4
Assets recognised on initial implementation of IFRS 16	20.8	–	–	20.8
Disposals	(0.6)	(1.2)	–	(1.8)
At 30 June 2020	20.2	39.9	11.6	71.7
Additions	1.3	3.6	0.5	5.4
Disposals	(1.1)	(0.9)	–	(2.0)
At 30 June 2021	20.4	42.6	12.1	75.1
Accumulated depreciation				
At 1 July 2019	–	24.8	6.5	31.3
Charge	2.9	4.4	1.1	8.4
Disposal	–	(1.2)	–	(1.2)
At 30 June 2020	2.9	28.0	7.6	38.5
Charge	3.0	4.7	1.3	9.0
Disposal	(0.1)	(0.9)	–	(1.0)
At 30 June 2021	5.8	31.8	8.9	46.5
Carrying amount				
At 30 June 2021	14.6	10.8	3.2	28.6
At 30 June 2020	17.3	11.9	4.0	33.2
At 1 July 2019	–	11.2	4.8	16.0

Leases recognised in property, plant and equipment

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Right-of-use assets		
Buildings	14.6	17.3

Leases expenses recognised in the consolidated income statement

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Depreciation charge on right-of-use assets			
Buildings	1.3	3.0	2.9
Lease expense recognised in finance costs	1.7	0.7	0.7

2.4 Investments

Investments are recognised in the Group's statement of financial position, on trade date, when the Group becomes party to the contractual provisions of an instrument and are initially measured at fair value.

Investments by default are designated as being held at fair value through profit or loss and are subsequently measured at fair value. Fair value being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short-term mandatorily, in accordance with IFRS 9.

The Group derecognises financial assets only when the contractual rights to the cash flows, or substantially all of the risks and rewards of ownership from the asset are transferred or expire. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
At beginning of year	0.6	11
Purchases	2.1	–
Disposals	(1.8)	(0.5)
At end of year	0.9	0.6
Comprising:		
Current asset investment – UK listed securities valued at quoted market price	0.9	0.6

£0.9 million (2020: £0.6 million) of investments are classified as held at fair value through profit and loss, being deal related short term investments.

Investment balances are short term positions the Group takes as a result of deals placed either in error or due to having to take positions where clients are no longer able to hold an investment. The gross gains and losses in relation to fair value include movements where no investment position is taken and are as shown below:

Fair value movements on investments

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Gross gains	1.5	0.6
Gross losses	(8.1)	(2.2)
	(6.6)	(1.6)

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.5 Derivative financial instruments

The Group enters into short-term derivative financial instruments as a result of the currency service and overseas trading services offered to its clients. Derivatives are initially recognised at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period, if applicable. The resulting gain or loss is recognised immediately in the income statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Assets	—	0.1
Liabilities	—	0.1

Derivative contracts are short term counterparty positions between the Group, its clients and third parties in the market. As a result there are derivative liabilities and derivative assets presented in the statement of financial position in respect of open positions. During the year, the Group stopped offering a direct to client currency service and as a result all positions were closed, leading to no derivative positions at year end.

All derivative positions are recognised as current assets or liabilities.

£0.6 million (2020: £1.7 million) of gains have been made, on a net basis, as a result of the fair value movements on derivatives in the year.

2.6 Trade and other receivables

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Trade and other receivables

Trade and other receivables comprise fees due from clients and counterparty positions. They are subsequently measured at amortised cost using the effective interest method less any expected credit losses. The financial assets are held in order to collect the contractual cash flows and those cash flows are payments of interest and principal only. The Group recognises Expected Credit Losses (ECLs) relating to trade receivables in line with the simplified approach per IFRS 9 and calculated based on the historic information available from the preceding years alongside factors impacting the individual debtors, economic conditions and forecast expectations. Impairment losses are recognised immediately in the Income Statement.

Term deposits

Term deposits comprise cash deposits held by UK licensed banks for a period of greater than three months, over which there is no recall during the term of the deposit. The amounts are measured at amortised cost using the effective interest method in line with IFRS 9.

Accrued income

Accrued income relates to amounts earned by the Group, for which the Group has provided services, but balances are billed in arrears and as such are not yet due. The amount relates to fund management fees, interest on deposits and services direct to clients.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Financial assets:		
Trade receivables	744.5	663.8
Term deposits	60.0	230.0
Accrued income	46.7	64.6
Other receivables	4.1	2.6
	855.3	961.0
Non-financial assets:		
Prepayments	13.9	12.2
	869.2	973.2

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.6 Trade and other receivables continued

In accordance with market practice and accounting standards on settlement date accounting, certain balances with clients, Stock Exchange member firms and other counterparties totalling £704.8 million (2020: £642.0 million) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £936.0 million (2020: £865.8 million) and the gross amount offset in the statement of financial position with trade payables is £231.1 million (2020: £223.8 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

Given the short term nature of the Group's receivables and the expectation of the Group in relation to its counterparties, there has been no material expected credit loss recognised in the year – see note 5.7 for further details.

The Group does not have any contract assets in respect of its revenue contracts with customers (2020: nil).

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash, subject to insignificant changes in value and are considered to be holdings of less than three months or those over which the Group has an immediate right of recall. The carrying amount of these assets is approximately equal to their fair value.

Term deposits held by the Group on unbreakable terms greater than three months are classified as financial assets and are shown in note 2.6.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Cash and cash equivalents:		
Group cash and cash equivalent balances	443.5	232.8
Restricted cash – balances held by HL EBT	1.8	3.1
	445.3	235.9

At 30 June 2021, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £7,243 million (2020: £7,506 million). In addition, there were pension trust and currency service cash accounts held on behalf of clients not governed by the client money rules of £5,621 million (2020: £6,254 million). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Group.

Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

2.8 Deferred tax assets

Deferred tax assets arise because of temporary differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at either 19% or 25% depending upon the rate expected to be in force at the time of the reversal of the temporary difference..

	Fixed asset tax relief £m	Share-based payments £m	Other deductible temporary differences £m	Total £m
At 1 July 2019	0.3	3.3	0.2	3.8
Credit to income	(0.2)	0.3	(0.1)	–
Charge to equity	–	(1.2)	0.5	(0.7)
At 30 June 2020	0.1	2.4	0.6	3.1
Credit / (charge) to income	0.2	0.3	0.1	0.6
Credit / (charge) to equity	–	(0.2)	0.2	–
At 30 June 2021	0.3	2.5	0.9	3.7
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	0.9	0.8	1.8
>1 year after reporting date	0.2	1.6	0.1	1.9
	0.3	2.5	0.9	3.7

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.9 Trade and other payables

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables are measured at amortised cost using the effective interest method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

Current elements of lease liabilities are included within other payables, being initially calculated in line with IFRS 16. On inception a lease liability is measured as the present value of future lease payments, discounted at the incremental borrowing rate implied within the lease. The future lease payments of the Group are fixed, except for those that relate to leases in a currency other than GBP, which may vary due to exchange rate movements

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Financial liabilities		
Trade payables	712.5	637.1
Current lease liabilities	4.8	3.3
Accruals	21.1	22.3
Other payables	28.9	26.3
	767.3	689.0
Non-financial liabilities		
Deferred income	0.4	0.4
Social security and other taxes	6.3	7.3
	774.0	696.7
Non-current financial liabilities		
Other payables	—	1.0

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £694.6 million (2020: £634.8 million) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.6, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and receipts from clients, where cash is received in advance for certain services.

All balances classified as Deferred income in the prior year have been recognised in revenue in the current year.

2.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

	£m
Included within non-current liabilities	
At 1 July 2019	0.7
Charged during the year	0.1
At 30 June 2020	0.8
Charged during the year	1.9
At 30 June 2021	2.7

The provision brought forward relates to property related costs representing the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of leases, in relation to the head office in Bristol. These property provisions are not expected to be fully utilised until 2026.

Provisions recognised in the current year are not expected to be paid within 12 months of the date of the Statement of Financial Position and are costs in relation to historic transactions that are now considered more likely than not to be incurred.

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

2.11 Long term liabilities

Lease liabilities are included within current other payables and non-current lease liabilities, being initially calculated in line with IFRS 16. On inception a lease liability is measured as the present value of future lease payments, discounted at the incremental borrowing rate implied within the lease. The future lease payments of the Group are fixed, except for those that relate to leases in a currency other than GBP, which may vary due to exchange rate movements.

Interest expense is incurred in relation to these leases, which is recognised as an expense in the period to which payment relates, on an accruals basis.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Lease liabilities greater than 12 months	15.0	19.9

Finance costs and financing cash flows associated with the lease are reconciled below to show the movement in the year.

Reconciliation of lease liability changes to cash flows

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Opening balance - including discounted current cash flows		22.2	27.2
New lease in period		1.3	—
Cash paid as rent	4	(4.0)	(4.3)
Termination of lease		(0.4)	(0.4)
Lease expense recognised in finance costs	1.7	0.7	0.7
Current element of liability		(4.8)	(3.3)
Long term liability		15.0	19.9

SECTION 3: EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Attributable to the owners of the Parent					Non- controlling interest £m	Total equity £m
	Share capital £m	Shares held by EBT reserve £m	EBT reserve £m	Retained earnings £m	Total £m		
At 1 July 2019	1.9	(3.4)	1.5	457.9	457.9	1.4	459.3
Impact of change in accounting policy (note 5.1)	—	—	—	(3.5)	(3.5)	—	(3.5)
Revised balance as at 1 July 2019	1.9	(3.4)	1.5	454.4	454.4	1.4	455.8
Total comprehensive income¹	—	—	—	313.1	313.1	0.1	313.2
Change to non-controlling interest	—	—	—	—	—	(2.2)	(2.2)
Employee Benefit Trust							
Shares sold in the year	—	11.9	—	—	11.9	—	11.9
Shares acquired in the year	—	(14.8)	—	—	(14.8)	—	(14.8)
HLEBT share sale	—	—	(6.2)	—	(6.2)	—	(6.2)
Reserve transfer on exercise of share options	—	—	2.8	(2.8)	—	—	—
Employee share option scheme							
Share based payments expense	—	—	—	3.6	3.6	—	3.6
Current tax effect of share based payments (note 1.8)	—	—	—	0.9	0.9	—	0.9
Deferred tax effect of share based payments (note 1.8)	—	—	—	(1.3)	(1.3)	—	(1.3)
Dividend paid (note 3.2)	—	—	—	(203.3)	(203.3)	—	(203.3)
At 30 June 2020	1.9	(6.3)	(1.9)	564.6	558.3	(0.7)	557.6
Total comprehensive income¹	—	—	—	296.7	296.7	(0.4)	296.3
Employee Benefit Trust							
Shares sold in the year	—	9.3	—	—	9.3	—	9.3
Shares acquired in the year	—	(7.8)	—	—	(7.8)	—	(7.8)
HLEBT share sale	—	—	(4.9)	—	(4.9)	—	(4.9)
Reserve transfer on exercise of share options	—	—	3.7	(3.7)	—	—	—
Employee share option scheme							
Share based payments expense	—	—	—	4.5	4.5	—	4.5
Current tax effect of share based payments (note 1.8)	—	—	—	1.1	1.1	—	1.1
Deferred tax effect of share based payments (note 1.8)	—	—	—	(0.2)	(0.2)	—	(0.2)
Dividend paid (note 3.2)	—	—	—	(263.5)	(263.5)	—	(263.5)
At 30 June 2021	1.9	(4.8)	(3.1)	599.5	593.5	(1.1)	592.4

¹ Total comprehensive income includes Profit for the year and the total comprehensive income presented is equal to Profit in both years presented.

SECTION 3: EQUITY

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3.1 Share capital

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Authorised: 525,000,000 (2019: 525,000,000) ordinary shares of 0.4p each	2.1	2.1
Issued and fully paid: ordinary shares of 0.4p each	1.9	1.9
Issued and fully paid: number of ordinary shares of 0.4p each	474,318,625	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.

The shares held by the EBT reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown EBT to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative gain on disposal of investments held by the HL EBT. The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest represents a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which is a subsidiary of the Company.

3.2 Dividends

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or, if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
2020 final dividend of 26.3p (2019 second interim dividend: 23.4p) per share	124.7	110.9
2020 special dividend of 17.4p (2019: 8.3p) per share	82.4	39.3
2021 interim dividend of 11.9p (2020: 11.2p) per share	56.4	53.1
Total dividends paid during the year	263.5	203.3

After the end of the reporting period, the Directors declared a final ordinary dividend of 26.6 pence per share and a special dividend of 12.0 pence per share payable on 20 October 2021 to shareholders on the register on 24 September 2021. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2021 financial statements as follows:

	£m
2021 final dividend of 26.6p (2020 final dividend: 26.3p) per share	126.0
2021 special dividend of 12.0p (2020 special dividend: 17.4p) per share	56.9
Total dividends	182.9

Under an arrangement dated 30 June 1997, the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

	Year ended 30 June 2021 No. of shares	Year ended 30 June 2020 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust Representing % of called-up share capital	482,008 0.10%	571,856 0.12%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Net cash from operating activities			
Profit for the year after tax		296.3	313.2
Adjustments for:			
Income tax expense		69.7	65.1
Gain on disposal of subsidiary	4.1	-	(38.8)
Depreciation of plant and equipment		9.0	8.4
Amortisation of intangible assets		6.1	5.2
Impairment of intangible assets		1.1	-
Share-based payment expense		4.5	3.6
Interest on lease liabilities		0.7	0.7
Gain on termination of lease		(0.3)	-
Increase in provisions		2.0	0.1
Operating cash flows before movements in working capital		389.1	357.5
Increase in receivables		(66.0)	(209.6)
Increase in payables		75.8	208.9
Increase in net derivative position		-	0.1
Cash generated from operations		398.9	356.9
Income tax paid		(70.3)	(91.5)
Net cash generated from operating activities		328.6	265.4
Investing activities			
Decrease / (increase) in term deposits		170.0	(15.0)
Purchase of property, plant and equipment		(5.4)	(5.8)
Purchase of intangible assets		(12.8)	(10.1)
Proceeds on disposal of subsidiary	4.1	0.2	38.2
(Purchase) / proceeds on disposal of investments		(0.3)	0.5
Net cash generated from/(used in) investing activities		151.7	7.8
Financing activities			
Purchase of own shares in EBT		(7.7)	(14.8)
Proceeds on sale of own shares in EBT		4.3	5.8
Payment of principal in relation to lease liabilities	2.11	(4.0)	(4.3)
Dividends paid to owners of the parent		(263.5)	(203.3)
Net cash used in financing activities		(270.9)	(216.6)
Net increase in cash and cash equivalents		209.4	56.6
Cash and cash equivalents at beginning of year	2.7	235.9	179.3
Cash and cash equivalents at end of year (including restricted cash)	2.7	445.3	235.9

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

4.1 Disposal of subsidiary

There were no disposals in the current year and the below disclosures are presented for comparison only.

On 28 February 2020 the Group disposed of its interest in FundsLibrary Limited (FundsLibrary) to Broadridge Financial Systems Inc. The Group held 78% of the total share capital of FundsLibrary Limited and received £48.8 million for its holding.

The carrying amount of the assets and liabilities of Funds Library at the date of disposal were as follows:

	28 February 2020 £m
Tangible fixed assets	0.7
Intangible assets	0.1
Cash	9.3
Trade receivables	3.6
Current liabilities	(2.4)
Non-current liabilities	(0.5)
Net assets disposed of	10.8
Non-controlling interest	(2.1)
Net assets controlled by Group	8.7
Total consideration received by Group	48.8
Costs to sell	(1.3)
Gain on disposal included in Consolidated Income Statement	38.8

Total consideration

	28 February 2020 £m
Satisfied by:	
Cash and cash equivalents	48.8
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	48.8
Less: cash and cash equivalents disposed of	9.3
Less: cash paid in relation to costs to sell	1.3
	38.2

The results of FundsLibrary which have been included in the profit for the prior year, were as follows:

	28 February 2020 £m
Revenue	6.5
Expenses	(4.7)
Profit before tax	1.8
Attributable tax expense	(0.3)
Net profit attributable to Funds Library (attributable to the owners of the Company)	1.5
Net profit attributable to Non-Controlling Interests	0.3
Net profit attributable to Owners of the parent	1.2

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER

5.1 General information

Hargreaves Lansdown plc (the "Company" and ultimate parent of the Group) is a company incorporated in England and Wales with company number 02122142 and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review as part of the Strategic report.

These financial statements are presented in millions of pounds sterling (£m) which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements are prepared on a going concern basis as discussed on page 129.

The financial statements are presented to allow users to understand the primary statements and the related balances that make them up. It is our aim to ensure that the information provided is pertinent and indicates balances of most importance, while ensuring conformity with IFRS. In order to do this, we have aligned the notes to the financial statements with the relevant primary statements; where there is an associated accounting policy, it is denoted by a box presented at the beginning of the note.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, if any, are disclosed in note 5.2.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiary undertakings controlled by the Group made up to 30 June 2021. The Group controls a subsidiary when it has power over an investee, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls a subsidiary when facts and circumstances indicate that there are changes to one or more elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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 intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity. The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity at the non-controlling interest's proportionate share of the recognised amounts of acquired entity's identifiable net assets.

Application of new standards

In the current year, the following new and revised standards and interpretations have been adopted but do not materially affect amounts reported or the accounting policies in these financial statements:

Changes in accounting policy

The following standards have been adopted in the current year, but do not have a material impact on these financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 – 'Definition of a Business';
- Amendments to IAS 1 and IAS 8 – 'Definition of material';
- IFRIC update to IAS 38 - 'Configuration or Customisation Costs in a Cloud Computing Arrangement'

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 – 'Insurance Contracts';
- IFRS 10 and IAS 28 (amendments) – 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- Amendments to IAS 1 – 'Classification of Liabilities as Current or Non-current';
- Amendments to IFRS 3 Reference to the Conceptual Framework;
- Amendments to IAS 16 – "Property, Plant and Equipment – Proceeds before Intended Use";
- Amendments to IAS 37 – 'Onerous contracts – Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture).

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.1 General information continued

Accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit and loss. The principal accounting policies adopted are set out at the start of each note to which they relate.

Accounting policies as shown in these notes have been consistently applied throughout the current and prior financial year. In the prior annual report a table was presented showing 'Interests in unconsolidated structured entities'. In both the current and prior year the Group had no such interests and as such the note has been removed.

5.2 Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If, in the future, such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. There are no assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There are no critical judgments or critical estimates in relation to the preparation of these financial statements.

5.3 Contingencies and commitments

Operating lease commitments – as lessee

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Minimum lease payments under operating lease recognised as an expense in the year	–	0.1
At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases, which fall due as follows:		
Within one year	–	0.1
Total minimum lease payments	–	0.1

Operating lease payments represent rentals payable by the Group for its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights. The decline in the year is due to the adoption of IFRS 16 in the previous year, which has meant that the majority of leases are accounted for under that standard and subsequently the end of short term leases. The maturity of these balances can be seen in Note 5.7.

Capital commitments

At the end of the reporting period, the Group had capital commitments of £0.1 million (2020: £0.1 million) for IT equipment.

Contingencies

The Group operates in a highly regulated environment and, in the ordinary course of business, has provided information to various authorities as part of informal and formal requests and enquiries. In addition the Group receives complaints or claims in relation to its services from time to time, these may be notified to the Group or directly to third parties. There are inherent uncertainties in the outcome of such matters and it is not practicable to reliably estimate the financial impact, if any, on the Group's results or net assets at the period end.

5.4 Subsidiaries

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in note 6.5 to the Parent Company financial statements. Also included in the Group Consolidated Financial Statements are 'The Hargreaves Lansdown Employee Benefit Trust' and 'The Hargreaves Lansdown plc SIP Trust'.

5.5 Events after the reporting period

On 8 August 2021 the Directors proposed a final ordinary dividend payment of 26.6 pence per ordinary share and a special dividend of 12.0 pence per share, payable on 20 October 2021 to all shareholders on the register at the close of business on 24 September 2021 as detailed in note 3.2.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.6 Related party transactions

The Company has a related party relationship with its subsidiaries, its Directors and members of the Executive Committee (the 'key management personnel'). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

Trading transactions

The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

Throughout the year, the non-controlling interest in HL Savings Limited has been held by Stuart Louden, an employee of the Group. There has been no change in the holdings of Stuart Louden in the current year – see note 6.4 for further details.

During the years ended 30 June 2021 and 30 June 2020 the Company has been party to a lease with P K Hargreaves, a significant shareholder during the year and former director, for rental of the old head office premises at Kendal House. A ten year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. In April a new 5 year lease was entered into. No amount was outstanding at either year end.

During the years ended 30 June 2021 and 30 June 2020, the Group has provided a range of investment services in the normal course of business to shareholders on normal third party business terms. Directors and staff are eligible for a slight discount on some of the services provided.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, being those personnel who were a member of the Executive Committee during the relevant year shown, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Short term employee benefits	8.9	10.3
Post employment benefits	0.3	0.2
Share based payments	2.6	2.2
	11.8	12.7

In addition to the amounts above, six key management personnel (2020: four) received gains of £1.7 million (2020: £0.6 million) as a result of exercising share options. During the year, awards were made under executive option schemes for 6 key management personnel (2020: 9).

Included within the previous table are the following amounts paid to Directors of the Company who served during the relevant year. Full details of Directors' remuneration, including numbers of shares exercised, are shown in the Directors' remuneration report.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Short term employee benefits	4.4	4.7
Share based payments	1.5	0.6
	5.9	5.3

In addition to the amounts above, Directors of the Company received gains of £0.9 million relating to the exercise of share options (2020: £0.2 million).

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
	No.	No.
Emoluments of the highest paid Director	2.7	2.7 ¹
Number of Directors who exercised share options during the year Number of Directors who were members of money purchase pension schemes	2 1	1

1 The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' Remuneration report.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments

Financial instruments include both assets and liabilities. Financial assets principally comprise trade and other receivables, cash and cash equivalents, current asset listed investments and derivative financial instruments. Financial liabilities comprise certain provisions, trade and other payables, and derivative financial instruments.

At 30 June	Financial assets and liabilities at fair value through profit and loss		Financial assets at amortised cost		Financial liabilities measured at amortised cost		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets								
Investments:								
Equity investments	0.9	0.5	—	—	—	—	0.9	0.5
Derivative financial instruments	—	0.1	—	—	—	—	—	0.1
Trade and other receivables:								
Trade receivables	—	—	744.5	663.8	—	—	744.5	663.8
Other receivables	—	—	4.1	2.6	—	—	4.1	2.6
Accrued income	—	—	46.7	64.6	—	—	46.7	64.6
Cash and cash equivalents	—	—	445.3	235.9	—	—	445.3	235.9
Term deposits	—	—	60.0	230.0	—	—	60.0	230.0
Total financial assets	0.9	0.6	1,300.6	1,196.9	—	—	1,301.5	1,197.5
Financial liabilities								
Derivative financial instruments								
Trade payables	—	0.1	—	—	—	—	—	0.1
Accruals	—	—	—	—	712.5	6371	712.5	6371
Other payables including current lease liabilities	—	—	—	—	21.1	22.3	21.1	22.3
Non current lease liabilities	—	—	—	—	33.7	30.6	33.7	30.6
Non current provisions	—	—	—	—	15.0	19.9	15.0	19.9
Total financial liabilities	—	0.1	—	—	785.0	710.7	785.0	710.8

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments contents continued

Fair value hierarchy

The table below sets out the classifications of each class of financial asset and liability and their fair values.

	Level 1 Quoted prices for similar instruments £m	Level 2 Directly observable market inputs other than Level 1 inputs £m	Level 3 Inputs not based on observable market data £m	Total £m
At 30 June 2021				
Financial assets at fair value through profit or loss	0.9	–	–	0.9
	0.9	–	–	0.9
At 30 June 2020				
Financial assets at fair value through profit or loss	0.5	–	–	0.5
Trading derivatives:				
Foreign exchange Assets	–	0.1	–	0.1
Foreign exchange Liabilities	–	(0.1)	–	(0.1)
	0.5	–	–	0.5

There were no transfers between Level 1 and Level 2 assets during the year (2020: £nil). The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Instruments included in Level 1 comprise primarily equity investments and fund units entered into on a counterparty basis. As such there is no recurring valuation of financial instruments between reporting periods.

The fair value of financial instruments not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The valuation techniques employed in the valuation of over the counter derivatives relied on market forward rates as quoted at the end of the year used as inputs into an appropriate pricing model.

Nature and extent of risks arising from financial instruments

Financial risk management

The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), liquidity risk and credit risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis. Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

Market risk

- Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in rates associated with interest bearing assets and liabilities. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2021, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £505.3 million (2020: £465.9 million) comprising cash, cash equivalents and term deposits.

This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank, including restricted cash, earns interest at floating rates based on daily bank deposit rates. Term deposits are also made for varying periods of between one day and 13 months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed term deposit rates.

Given that a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients, the balance of which was £12,864 million at 30 June 2021 (2020: £13,760 million). These amounts are not included in the Group statement of financial position.

Impact of change in interest rates on interest on client money and finance income in the Consolidated Income Statement.

	2021 £m	2020 £m
Interest on client money +50bps (0.5%)	2.4	28.0
Interest on client money -50bps (0.5%)	(0.2)	(28.0)
Finance income +50bps (0.5%)	–	2.3
Finance income -50bps (-0.5%)	–	(2.3)

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments contents continued

This assumes the interest income has been earned evenly over the period and that rates have remained constant over the period.

- Foreign exchange translation and transaction risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses currently operating within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities.

- Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group as a result of an asset not meeting its expected value. The Group is exposed to price risk on investments, in corporate entities, held on the Group statement of financial position. At 30 June 2021, the fair value of investments recognised on the Group statement of financial position was £0.9 million (2020: £0.5 million). A 20% move in equity prices, in isolation, would have an impact of £0.1 million (2020: £0.1 million).

Liquidity risk

The Group is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Group is highly cash generative and holds significant liquid assets. The Group actively maintains a proportion of cash balances on short term deposit to ensure that the Group has sufficient available funds for operations.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Group based on the remaining period to the contractual maturity date at the end of the reporting period.

	At 30 June 2021				At 30 June 2020			
	0-3 months £m	3-12 months £m	Over 1 year £m	Total £m	0-3 months £m	3-12 months £m	Over 1 year £m	Total £m
Trade and other payables:								
Trade payables	712.5	–	–	712.5	6371	–	–	6371
Other payables, including current lease liabilities	30.3	3.4	–	33.7	26.5	3.1	1.0	30.6
Non-current discounted lease liabilities	–	–	15.0	15.0	–	–	19.9	19.9
Accruals	20.5	0.8	–	21.1	22.3	–	–	22.3
Derivative liabilities at fair value through profit and loss	–	–	–	–	0.1	–	–	0.1
Non-current provisions	–	–	2.7	2.7	–	–	0.8	0.8
	763.1	4.2	17.7	785.0	686.0	3.1	21.7	710.8

Included in the trade and other payables and the lease liabilities above are figures in respect of leases accounted for under IFRS 16. These include discounted cash flows in relation to leases over property as outlined in note 2.11. The undiscounted maturity profiles of these amounts is shown on the next page.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments continued

The undiscounted liability in relation to leases is shown below.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Within one year	4.8	4.7
In the second to fifth years inclusive	17.3	17.2
After five years	0.2	3.9
Total minimum lease payments	22.3	25.8

The Group has access to a revolving credit facility, with a UK bank. The facility allows the Group to draw up to £75 million (2020: £75 million) and is undrawn as at 30 June 2021. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn.

Credit risk

The Group's credit risk is spread over a large number of counterparties and customers.

The Group is exposed to credit risk from counterparties to securities transactions during the period between the trade date and the ultimate settlement date if the counterparty fails either to deliver securities or to make payment. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment the securities would not be delivered to the counterparty. Therefore the risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

The trade receivables presented in the statement of financial position are net of expected credit losses.

Also included within trade and other receivables in the statement of financial position are term deposits. These are deposits with UK licensed banks for a period of three months or greater, where the Group does not have immediate recall on the cash. The maximum amount of time that these deposits are outstanding at year end is 13 months.

Cash is held with UK licensed banks. The credit risk on liquid funds is minimised by only depositing with UK regulated banks and the Group takes a conservative approach to treasury management, carrying out regular reviews of all its banks' and custodians' credit ratings.

As at the end of the reporting period, no financial assets were individually determined to be impaired. The following table discloses the Group's maximum exposure to credit risk on financial assets.

	At 30 June 2021 £m	At 30 June 2020 £m
Financial assets at amortised cost		
Cash and cash equivalents (including restricted cash)	445.3	235.9
Trade and other receivables	748.6	666.4
Accrued income	46.7	64.6
Term deposits	60.0	230.0
Financial assets at fair value through profit or loss		
Financial investments	0.9	0.5
Derivative financial assets	—	0.1
	1,301.5	1,197.5

The following table contains an analysis of financial assets that are past due but not impaired at the end of the reporting period. An asset is past due when the counterparty has failed to make a payment when contractually due.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments continued

The Group applies the simplified approach to providing for expected credit losses for receivables, allowing the use of lifetime expected loss provisions to be made. To determine expected credit losses financial assets have been grouped based on shared credit risk characteristics, being the number of days past due.

	Not due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Over 12 months past due £m	Total £m
At 30 June 2021						
Trade and other receivables:						
Trade receivables	736.5	3.4	1.7	1.5	1.4	744.5
Other receivables	4.1	—	—	—	—	4.1
Accrued income	46.7	—	—	—	—	46.7
Term deposits	60.0	—	—	—	—	60.0
	847.3	3.4	1.7	1.5	1.4	855.3
Investments held at fair value	0.9	—	—	—	—	0.9
	848.2	3.4	1.7	1.5	1.4	856.2
At 30 June 2020						
Trade and other receivables:						
Trade receivables	656.6	2.6	2.1	1.3	1.2	663.8
Other receivables	2.6	—	—	—	—	2.6
Accrued income	64.6	—	—	—	—	64.6
Term deposits	230.0	—	—	—	—	230.0
Derivative assets	0.1	—	—	—	—	0.1
	953.9	2.6	2.1	1.3	1.2	961.1
Investments held at fair value	0.6	—	—	—	—	0.6
	954.5	2.6	2.1	1.3	1.2	961.7

During the year, the Group has provided £nil (2020: £nil) in respect of receivables that are not expected to be recovered. At the end of the reporting period, £0.1 million (2020: £0.1 million) of receivables are impaired, all of which have been provided for in full. As a result, the carrying amount of impaired receivables is £nil (2020: £nil).

The expected loss in relation to receivables is considered to be immaterial, due to the short-term nature of the receivable balance and the small value of assets that are outstanding for long periods, without any potential recourse allowing the Group to reclaim the balance. The majority of balances are related to underlying investments that the Group can sell to reclaim losses.

The table on the following page shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty grading:

- Financial institutions

In respect of trade receivables, £225.7 million (2020: £263.3 million) is due from financial institutions regulated by the FCA in the course of settlement as a result of daily trading and £5.4 million (2020: £5.2 million) relates to revenue items due from financial institutions regulated by the FCA.

- Individuals

In respect of trade receivables, the balance is related to amounts due from individual clients in the course of settlement as a result of daily trading.

SECTION 5: OTHER NOTES

NOTES TO THE GROUP FINANCIAL STATEMENTS

OTHER CONTINUED

5.7 Financial instruments continued

The table below shows the credit category of financial assets that are neither past due nor impaired.

	Financial institutions £m	Corporate clients £m	Individuals £m	Total £m
At 30 June 2021				
Trade receivables	181.6	0.1	554.8	736.5
Other receivables	4.1	—	—	4.1
Accrued income	27.4	—	19.3	46.7
Term deposits	60.0	—	—	60.0
Investments held at fair value through profit and loss	0.9	—	—	0.9
	274.0	0.1	574.1	848.2
At 30 June 2020				
Trade receivables	194.0	0.1	462.5	656.6
Other receivables	2.6	—	—	2.6
Accrued income	42.4	—	22.2	64.6
Term deposits	230.0	—	—	230.0
Derivative assets	0.1	—	—	0.1
Investments held at fair value through profit and loss	0.6	—	—	0.6
	469.7	0.1	484.7	954.5

Capital management

The Group's objectives when managing capital are: i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; ii) to maintain a strong capital base and utilise it efficiently to support the development of its business; and iii) to comply with the regulatory capital requirements set by the FCA. Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board.

Capital management - Unaudited

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review) requirements is met.

Pillar 1 imposes a minimum capital requirement on investment firms which is calculated as the higher of the sum of the credit and market risk capital requirements and the fixed overheads requirement (FOR). The FOR equates to 25% of the fixed overheads reported in the most recent audited financial statements.

Pillar 2 requires investment firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1, the objective of this being to ensure that investment firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its ICAAP under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action.

As required by the FCA, Hargreaves Lansdown holds capital based on a multiple of Pillar 1 and maintains a significant surplus over this requirement at all times.

The Group manages its retained earnings and share capital which total £601.4 million as at 30 June 2021 (2020: £566.5 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level, as well as at an individual regulated entity level. Under the requirements of Pillar 3 (Disclosure), the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at www.hl.co.uk/investor-relations/key-financial-data/pillar-3-disclosures2.

SECTION 6: COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2021 £m	At 30 June 2020 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.5	54.5	60.0
		54.5	60.0
Current assets			
Trade and other receivables	6.6	215.6	393.1
Cash and cash equivalents	6.7	155.9	86.1
		371.5	479.2
Total assets		426.0	539.2
LIABILITIES			
Current liabilities			
Trade and other payables	6.8	199.0	250.4
		199.0	250.4
Net current assets		172.5	228.8
Total liabilities		199.0	250.4
Net assets		227.0	288.8
EQUITY			
Share capital	6.10	1.9	1.9
Share premium	6.10	—	—
Capital redemption reserve	6.10	—	—
Retained earnings	6.10	225.1	286.9
Total equity		227.0	288.8

The Company recorded a profit for the financial year ended 30 June 2021 of £197.2 million (2020: £214.2 million).

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 172 to 178, were approved by the Board and authorised for issue on 8 August 2021.

Philip Johnson
Chief Financial Officer



SECTION 6: COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £m	Retained earnings £m	Total equity £m
At 1 July 2019	1.9	272.4	274.3
Profit and total comprehensive income	–	214.2	214.2
Increase in investment in subsidiaries	–	3.6	3.6
Dividend paid	–	(203.3)	(203.3)
At 30 June 2020	1.9	286.9	288.8
Profit and total comprehensive income	–	197.2	197.2
Increase in investment in subsidiaries	–	4.5	4.5
Dividend paid	–	(263.5)	(263.5)
At 30 June 2021	1.9	225.1	227.0

Details of the Company's dividends are as set out in note 3.2 to the consolidated financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Net cash from operating activities			
Cash generated from operations	6.9	169.3	239.1
Net cash from operating activities		169.3	239.1
Investing activities			
Decrease / (Increase) in term deposits		170.0	(15.0)
Purchase of investment in subsidiary		(6.0)	(6.0)
Proceeds on disposal of subsidiary	6.5	–	48.8
Net cash from / (used) in investing activities		164.0	27.8
Financing activities			
Dividends paid to owners of the parent		(263.5)	(203.3)
Net cash used in financing activities		(263.5)	(203.3)
Net increase in cash and cash equivalents		69.8	63.6
Cash and cash equivalents at beginning of year	6.7	86.1	22.5
Cash and cash equivalents at end of year	6.7	155.9	86.1

SECTION 6: COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6.1 General information

Hargreaves Lansdown plc (the "Company") is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The Company is the parent company of the Group, and the nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

The Company financial statements are presented in millions of pounds sterling which is the currency of the primary economic environment in which the Company operates.

Basis of preparation

The separate financial statements of Hargreaves Lansdown plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

The Company financial statements are prepared on a going concern basis. The Directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the financial statements are adopted.

The financial statements have been prepared on the historical cost basis. Accounting policies have been applied consistently throughout the current and prior financial year.

6.2 Significant accounting policies

The accounting policies of the Company are the same as those of the Group which are set out in the relevant notes to the consolidated financial statements, except that it has no policy in respect of consolidation and investments in subsidiaries are carried at historical cost, less any provisions for impairment.

6.3 Critical judgements and key sources of estimation uncertainty

As noted in note 5.2 to the Group financial statements the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. There are no critical judgements used in the preparation of the Company's financial statements.

The estimates on the following page are made in respect of the Company financial statements only.

Investments in subsidiaries

The Company is making a significant investment in HL Savings to assist in the development of the Active Savings proposition. Given the expected long term economic benefit that this is expected to bring, development costs incurred are being capitalised. The parent Company has previously held this investment at cost, in the current year an assessment has been made of the recoverable amount, which requires estimation of future cash flows and appropriate discount rates for the purpose of its calculation. A sensitivity analysis of this estimate is presented in note 6.5.

6.4 Profit for the year

As permitted by Section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented for the Company. The Company recorded a profit for the financial year ended 30 June 2021 of £197.2 million (2020: £199.4 million).

The Auditors' remuneration for audit and other services is disclosed in note 1.4 to the consolidated financial statements.

6.5 Investment in subsidiaries

Investments in subsidiaries are held at cost, being the fair value of consideration paid and capital contributions made to the subsidiaries.

Impairment assessments are performed at least on an annual basis for all subsidiaries to assess whether the valuation is still appropriate. A comparison is made between the recoverable amount and the carrying value. This requires the calculation of either the fair value, less costs to sell of each subsidiary or the value in use. Value in use is calculated as the present value of discounted cash flows over an appropriate period at a discount rate appropriate for each subsidiary. Any losses are recognised immediately in the income statement.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Investments in subsidiaries		
At beginning of year	60.0	51.7
Increase in investment in subsidiaries	10.5	9.6
Impairment of subsidiary	(16.0)	—
Disposal of subsidiary	—	(1.3)
At end of year	54.5	60.0
Comprising:		
Non-current investments – Investments in subsidiaries valued at cost less impairment	54.5	60.0

SECTION 6: COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6.5 Investment in subsidiaries continued

During the year, the Company has impaired its holding in Hargreaves Lansdown Savings Limited by £16.0m and recognised this amount immediately as an expense in the year. The amount was determined by calculation of the recoverable amount, using future cash flows at a discount rate of 9.6%. The carrying amount immediately prior to the impairment was £34.8 million (2020: £28.8 million). The instigation for this impairment was the continued commitment of the Company to support the development of the Active Savings platform as it continues to build its offering, offset against the return being seen on the investment.

Sensitivity analysis

The valuation was performed over a range of discount and growth rates, with value in use calculations ranging from £12.7m to £25.4m, using discount rates ranging between 8.5% and 10.7%.

On 28 February 2020, the Company sold its 78% holding in FundsLibrary Limited for a consideration of £48.8 million, the carrying value of the investment at the date of disposal was £1.3 million and costs to the company to sell were £0.3 million. As a result, the Company has recognised a gain of £47.2 million in relation to the sale. Further details regarding the sale can be found in Note 4.1 on page 162.

A list of the investments in subsidiaries is shown below, along with their country of incorporation and principal activity. Unless otherwise disclosed below, all subsidiaries have one ordinary class of share only and all shares are held by Hargreaves Lansdown plc.

Subsidiary company name	Country of incorporation and principal	Company purpose/function	Percentage ownership	Voting rights
Hargreaves Lansdown Advisory Services Limited	UK ¹	Advisory services	100%	100%
Hargreaves Lansdown Asset Management Limited	UK ¹	Unit trust and equity broking, investment fund management, life and pensions consultancy	100%	100%
Hargreaves Lansdown Fund Managers Ltd.	UK ¹	Unit trust management	100%	100%
Hargreaves Lansdown Stockbrokers Ltd	UK ¹	Trading company*	100%	100%
Hargreaves Lansdown (Nominees) Limited (100% shares held by Hargreaves Lansdown Asset Management Limited)	UK ¹	Nominee services*	100%	100%
Hargreaves Lansdown Insurance Brokers Limited	UK ¹	Dormant company*	100%	100%
Hargreaves Lansdown Investment Management Limited (100% shares held by Hargreaves Lansdown Fund Managers Ltd)	UK ¹	Dormant company*	100%	100%
Hargreaves Lansdown Savings Limited	UK ¹	Cash services	92.5% – Ordinary 100% – Class A	92.5%
Hargreaves Lansdown Savings (Nominees) Limited (100% shares held by Hargreaves Lansdown Savings Limited)	UK ¹	Nominee services*	92.5%	100%
Hargreaves Lansdown Pensions Limited (100% shares held by Hargreaves Lansdown Advisory Services Limited)	UK ¹	Dormant company*	100%	100%
Hargreaves Lansdown Pensions Trustees Limited	UK ¹	Trustee of the HL SIPP*	100%	100%
Hargreaves Lansdown EBT Trustees Limited	UK ¹	Trustee of the Employee Benefit Trust [†]	100%	100%
Hargreaves Lansdown Trustee Company Limited	UK ¹	Trustee of the Share Incentive Plan [†]	100%	100%
HL Tech Sp. Z O. O (100% shares held by Hargreaves Lansdown Asset Management Limited)	Poland ²	Service Company	100%	100%

* Exempt from the requirements for audit under s394A and s448A of Companies Act 2006.

† Exempt from the requirement for audit under s479A of the Companies Act 2006.

¹ Registered address: One College Square South, Anchor Road, Bristol BS1 5HL.

² Registered address: Pl. Europejski 1, Warsaw, 00-844, Poland.

SECTION 6: COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6.6 Trade and other receivables

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	155.2	162.2
Term deposits	60.0	230.0
	215.2	392.2
Non-financial assets:		
Prepayments	0.4	0.9
	215.6	393.1

6.7 Cash and cash equivalents

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	155.9	86.1

Cash and cash equivalents comprise cash and institutional cash funds with near instant access.

No disclosures for financial instruments have been made in respect of the Company as the only significant financial instruments held by the Company are cash and term deposit balances as shown above.

6.8 Trade and other payables

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Financial liabilities		
Amounts payable to subsidiaries	198.6	247.2
Other payables	0.4	1.0
Deferred income and accruals	—	2.2
	199.0	250.4

Amounts payable to subsidiaries comprise short term borrowing from subsidiaries, repayable on demand. The fair values of amounts owed to subsidiaries are equal to their carrying amounts.

6.9 Notes to the company statement of cash flows

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit for the year after tax	197.2	214.1
Adjustments for:		
Income tax credit	0.2	0.7
Impairment in investment in subsidiary	16.0	—
Gain on disposal of subsidiary	—	(47.2)
Operating cash flows before movements in working capital:	213.4	167.6
(Increase) / decrease in trade receivables	7.4	(135.8)
Increase / (decrease) in trade payables	(51.5)	207.3
Cash generated from operations	169.3	239.1

6.10 Share capital

Details of the Company's share capital are as set out in note 3.1 to the consolidated financial statements.

The share premium account represents the difference between the issue price and the nominal value of shares issued and was unchanged at £8,000 throughout the 2020 and 2021 financial years.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares and was unchanged at £12,000 throughout the 2020 and 2021 financial years.

Details of the movements in retained earnings are set out in the parent company statement of changes in equity.

SECTION 6: COMPANY FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6.11 Related party transactions

The key management personnel of the Group and the Company are the same. The relevant disclosures are given in note 5.6 to the consolidated financial statements. These are the only staff costs incurred by the Company in the year. The Company has two employees (2020: two), being the Executive Directors. The cost of providing share scheme benefits to the employees of the subsidiaries is not charged directly to the subsidiaries. Instead, the Company provides a capital contribution to its subsidiaries in respect of these schemes.

The Company entered into the following transactions with subsidiaries and the Employee Benefit Trust, which are related parties.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Dividends received from subsidiaries	215.0	172.0
Management charges to subsidiaries	—	0.5
Capital contribution to subsidiaries	4.5	9.6
Amounts owed by related parties at 30 June	155.2	162.2
Amounts owed to related parties at 30 June	198.6	247.2

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

6.12 Events after the reporting period

Events after the reporting period are shown in note 5.5 of the consolidated financial statements on page 164.

6.13 Financial risk management

Note 5.7 to the consolidated financial statements includes the Group's policy on capital management, its exposure to financial risks and its policies and processes to manage those risks. There are financial instruments in the Company made up of amounts receivable from subsidiaries and the Employee Benefit Trust and amounts payable to subsidiaries. The nature and extent of risks arising from these financial instruments are as follows:

Liquidity risk

The Company is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due.

The payment obligations primarily relate to amounts payable to subsidiaries which are more than offset by the amounts owed from subsidiaries. In addition, the Company holds significant cash balances on short term deposit to ensure that it has sufficient available funds to meet its obligations and fund its operations.

At the end of the reporting period, none of the liabilities of the Company are past due or represent a significant long term liability.

Credit risk

Credit risk is the risk that a counterparty fails to perform its financial obligations, resulting in financial loss; however, the amounts owed to the Company are primarily from its own subsidiaries. Given the profitability and net assets of the majority of subsidiaries, credit risk is considered minimal. As per the wider Group, cash is held with UK licensed banks. The credit risk on liquid funds is minimised because the counterparties are banks with strong credit ratings assigned by international credit rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings. As at the end of the reporting period, no financial assets were individually determined to be impaired. The balance of assets past due is immaterial.

The following table discloses the Company's maximum exposure to credit risk on financial assets.

	At 30 June 2021 £m	At 30 June 2020 £m
Financial assets at amortised cost		
Cash and cash equivalents	155.9	86.1
Included within trade and other receivables:		
Term deposits	60.0	230.0
Amounts receivable from subsidiaries and EBT	155.2	162.2
	371.1	478.3

OTHER INFORMATION

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DIRECTORS, COMPANY SECRETARY, ADVISERS AND SHAREHOLDER INFORMATION

Executive Directors

Chris Hill

Philip Johnson

Non-Executive Directors

Deanna Oppenheimer

Andrea Blance

Adrian Collins

Moni Mannings

Dan Olley

Roger Perkin

John Troiano

Company Secretary

Victoria Orme

Independent auditors

PricewaterhouseCoopers LLP, London

Solicitors

Osborne Clarke LLP, Bristol

Principal bankers

Lloyds Bank Plc, Bristol

Brokers

Barclays

Numis Securities Limited

Registrars

Equiniti Limited

Registered office

One College Square South Anchor Road Bristol
BS1 5HL

Website

www.hl.co.uk

Company number

02122142

FIVE YEAR SUMMARY

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	631.0	550.9	480.5	447.5	385.6
Fair value gains on derivatives	0.6	1.7	2.2	2.3	2.2
Operating costs	(266.0)	(214.9)	(179.4)	(158.7)	(126.7)
Operating profit	365.6	337.7	303.3	291.1	261.1
Finance income	1.4	2.8	2.8	1.5	1.2
Finance costs	(1.0)	(1.0)	(0.3)	(0.2)	—
Other gains	—	38.8	—	—	3.5
Profit before tax	366.0	378.3	305.8	292.4	265.8
Tax	(69.7)	(65.1)	(58.2)	(55.7)	(53.8)
Profit after tax	296.3	313.2	247.6	236.7	212.0
Non-controlling interests	0.4	(0.1)	(0.2)	(0.4)	(0.3)
Profit for the financial year attributable to owners of the parent company	296.7	313.1	247.4	235.3	211.7
Equity shareholders' funds	593.5	558.3	457.6	404.0	306.9
Weighted average number of shares for the purposes of diluted EPS (million)	474.5	475.70	475.76	475.41	474.73
	Pence	Pence	Pence	Pence	Pence
Equity dividends per share paid during year	55.6	42.9	40.2	30.5	34.8
Basic earnings per share	62.6	66.1	52.1	49.7	44.7
Diluted earnings per share	62.5	65.9	52.0	49.6	44.6
Underlying basic earnings per share	62.6	57.9	52.1	49.7	44.7
Underlying diluted earnings per share	62.5	57.8	52.0	49.6	44.6

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

Measure	Calculation	Why we use this measure
Activity costs	Total cost related to stockbroking and financial services costs on a transactional basis related to the volume of activity undertaken by our clients. This measure is the same as the dealing and financial services costs within note 1.3.	Provides further detail into the increasing costs that are associated with increasing client numbers and increasing transactional revenues, to allow comparison from year to year
Dividend pay-out ratio (%)	The total dividend per share divided by the earnings per share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends.	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of Hargreaves Lansdown plc shares.
Ongoing revenue	Revenue that is received every month depending on the value of assets held on the platform, including platform fees, management fees and interest earned on client money.	We believe ongoing revenue provides greater profit resilience and hence is of higher quality than transactional revenue.
Operating profit margin	Profits after deducting operating costs but before the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Percentage of ongoing revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total revenue.	Provides a measure of the quality of our earnings. We believe ongoing revenue provides greater profit resilience and hence is of higher quality than non-ongoing revenue.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	Revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Revenue margin from shares (bps)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Third party data and technology costs	Costs associated with the use of third party software and data feeds used in the performance of daily business. The measure is the same as data and technology costs within note 1.3	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

CONTINUED

Measure	Calculation	Why we use this measure
Transactional revenue	Revenue that is not ongoing in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as ongoing revenue but helps to show the diversification of our revenue streams.
Underlying profit before tax	Profit before tax excluding other gains outside of the normal course of business. In the current year, underlying profit before tax and profit before tax are the same. For the prior year, the figure is achieved by taking profit before tax and subtracting the gain on disposal as per note 4.1 on page 162	Provides the best measure for comparison of profit before tax between financial years.
Underlying earnings	Profit after tax attributable to equity holders of the parent company adjusted for the existence other gains outside of the normal course of business, such as the disposal of subsidiaries. In the current year, this is the same as profit after tax attributable to the equity holders of the parent company. In the prior year, this figure is achieved by taking profit after tax and subtracting the gain on disposal of a subsidiary as outlined in note 41 on page 162.	The unadjusted profit after tax includes gains from transactions that are not repeated annually or that may not indicate the true performance of the business.
Underlying basic earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of basic EPS.	The calculation of basic earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year.
Underlying diluted earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of diluted EPS.	The calculation of diluted earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year.

GLOSSARY OF TERMS

A

AGM Annual General Meeting
AIFMD Alternative Investment Fund Managers Directive
AML Anti Money Laundering
API Application Programming Interface
Asset retention rate Based on the monthly lost AUA as a percentage of the opening month's AUA and averaging for the year
AUA Assets Under Administration. This is the value of all assets administered or managed by Hargreaves Lansdown on behalf of its clients
AUM Assets Under Management is the value of all assets managed by Hargreaves Lansdown Fund Managers

B

Basic EPS Basic earnings per share
BCP Business Continuity Plan
Board The Board of Directors of Hargreaves Lansdown plc

C

CASS Client Assets Sourcebook
Client retention rate Based on the monthly lost clients as a percentage of the opening month's total clients and averaging for the year. A lost client is deemed as one who falls below a holding of £100
CODM Chief Operating Decision Maker
Company Hargreaves Lansdown plc
Corporate Schemes This related to HL Workplace Solutions which allows employers to offer the benefits of the Hargreaves Lansdown Vantage service to employees via the workplace
CRD IV Capital Requirements Directive IV
CRO Chief Risk Officer
CSDR Central Securities Depositories Regulation
D2C Direct to Consumer
DEFRA Department for Environment Food & Rural Affairs
Diluted EPS Diluted earnings per share
DR Disaster Recovery
DTR The FCA's Disclosure Guidance and Transparency Rules sourcebook
DWP Department of Work and Pensions

E

EBT Employee Benefit Trust
ESG Environmental, social and governance
F
FATCA Foreign Account Tax Compliance Act
FCA Financial Conduct Authority, regulator of the UK financial services industry
FRC Financial Reporting Council
FSCS Financial Services Compensation Scheme
FTE Full-time equivalent employees
FVTPL Fair value through profit or loss
G
GAAP Generally Accepted Accounting Principles
Group Hargreaves Lansdown plc and its controlled entities
GCRO The Group Chief Risk Officer following her appointment in January 2021 and the Chief Risk Officer prior to that
H
HL Hargreaves Lansdown
HMRC HM Revenue and Customs

I

IAS International Accounting Standards
ICAAP Internal Capital Adequacy Assessment Process
IFRS International Financial Reporting Standards
ISA Individual Savings Account
IT Information Technology
K
KPI Key Performance Indicator
L
LISA Lifetime ISA
Listing Rules Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange
Loyalty bonus A reward to customers for holding certain collective investments within the Vantage wrapper. This is paid on a regular basis as a percentage of qualifying assets
LTIP Long-term incentive plan

GLOSSARY OF TERMS

CONTINUED

M

Material Risk Takers persons identified as meeting the criteria of "material risk takers" as set out in the European Banking Authority regulatory technical standard and consequently subject to the requirements of the Remuneration Code.

MiFID II Markets in Financial Instruments Directive II

MLRO Money Laundering Reporting Officer

Multi-Manager funds A range of funds offered by Hargreaves Lansdown which are managed under the Fund of Funds format

N

Net new business (NNB) Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out

Net new clients Represents the net of new clients less lost clients in the period

Nominated Director The non-independent, non-executive director appointed to the Board by Peter Hargreaves pursuant to his shareholder agreement with the Company

Number of new clients Unique number of clients holding at least one account (PMS, ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end

NPS Net Promoter Score

Net revenue Total revenue less commission paid, which is primarily the loyalty bonus paid to clients

O

ONS Office for National Statistics

Organic growth Growth in assets under administration can be attributed to two main causes. The first is growth due to the appreciation in the value of existing assets and the second is organic growth through additional contributions

P

Pillar 1 and 2 capital requirements The Basel Committee on Banking Supervision set out certain capital requirements which must be met by qualifying financial institutions

Pillar 3 A set of disclosure requirements which enable the market to assess information on a firm's risks, capital and risk management procedures

Platform The advisory and research business specialising in investment platforms which compiles the Direct Platform Guide

PMS Portfolio Management Service

PSD2 The second Payment Services Directive

R

RDR Retail Distribution Review

S

SAYE scheme Save As You Earn scheme

SIPP Self-invested Personal Pension

SMCR Senior Managers and Certification Regime

SREP The FCA's supervisory review and evaluation process

STAR Speedy Transfer and Re-registrations

T

TCFD Taskforce for Climate-related Financial Disclosures

Treating clients fairly A central concept to the FCA's retail regulatory agenda, which aims to ensure an efficient and effective market and thereby help consumers achieve a fair deal

U

UCITS Undertakings for Collective Investment in Transferable Securities

UK Corporate Governance Code

A code published by the FRC which sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders

W

W50 Wealth 50, our curated selection of funds available to UK investors

Y

Year end/financial year Our financial year starts on 1 July and ends on 30 June