



## Hargreaves Lansdown

### Board Risk Committee Terms of Reference

The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority Listing, Prospectus and Disclosure and Transparency Rules, Alternative Investment Fund Managers Directive (AIFMD) and any other applicable rules, as appropriate.

#### 1. Purpose

- 1.1. The Risk Committee (“Committee”) is a forward looking committee of the Board of Hargreaves Lansdown plc (“Board”) seeking to anticipate potential issues by assessing known or foreseeable risks and thereby enabling Hargreaves Lansdown plc and its subsidiaries (“the Group”) to take action to avoid or mitigate the impact of those issues. For the avoidance of doubt, the following regulated entities are all included within the Group:

Hargreaves Lansdown Asset Management Limited;  
Hargreaves Lansdown Stockbrokers Limited;  
Hargreaves Lansdown Advisory Services Limited; and  
Hargreaves Lansdown Fund Managers Limited

- 1.2. Advise the Board on the Group’s overall risk appetite, tolerance and strategy, taking into account the current and prospective macroeconomic and financial environment.
- 1.3. Oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- 1.4. Advise the Board on the amount of surplus regulatory capital that should be held commensurate with the Group’s risk profile and regulatory obligations.
- 1.5. Oversee the effectiveness of the risk management procedures, including, anti-money laundering (AML), data protection, fraud, IT security, cyber risk, AIFMD and the principal risks and uncertainties relating to the Group and the steps being taken to mitigate them.
- 1.6. Seek to identify and assess future potential risks which, by virtue of their unfamiliarity, uncertainty and deemed low probability may not have been factored adequately into review elsewhere within the Group.

#### 2. Membership

- 2.1. The Committee shall comprise at least three members, one of whom may be the Group Chairman. A majority of members of the Committee shall be independent non-executive directors, one of whom will be the Chairman of the audit committee. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee.
- 2.2. The Chief Finance Officer (“CFO”) shall normally be in attendance at all meetings. The Committee Chairman shall decide whether the Chief Executive Officer should be present at meetings.

- 2.3. The Group Director of Risk & Compliance and the Chief Risk Officer (“CRO”) shall normally be in attendance at all meetings unless the Chairman of the Committee decides otherwise.
  - 2.4. Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Group Chairman, Chief Executive Officer, Chief Financial Officer, other directors and the Head of Internal Audit may be invited to attend all or part of any meeting as and when appropriate and necessary.
  - 2.5. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
  - 2.6. The Board shall appoint the Committee Chairman (“Chairman”) who shall be an independent non-executive director or the Group Chairman. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
3. Secretary  
The company secretary or his or her nominee shall act as the secretary of the Committee.
  4. Quorum  
The quorum necessary for the transaction of business shall be two members.
  5. Frequency of Meetings  
The Committee shall meet at least four times a year at appropriate times and otherwise as required.
  6. Notice of Meetings
    - 6.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the CRO if he or she considers a meeting necessary.
    - 6.2. otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, all other non-executive directors and any other person required to attend, no later than five working days before the date of the meeting. The agenda shall be circulated together with relevant supporting papers to Committee members and to other attendees as appropriate.
    - 6.3. Where deemed appropriate by the Chairman, the meetings of the Committee may be held by telephone.
  7. Minutes of Meetings
    - 7.1. The secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.
    - 7.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Where there is a conflict of interest and the Chairman of the Committee determines that it is material, he shall have the power to exclude that Committee member from discussions on that issue.
    - 7.3. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.
    - 7.4. Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company’s records.

## 8. Annual General Meeting

- 8.1. The Chairman should attend the annual general meeting to respond to questions from shareholders on the Committee's activities.

## 9. Resources

- 9.1. The Committee will have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.2. The Committee members will be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 9.3. The Committee shall receive regular reports from Compliance, Risk, Operations, IT and Commercial.

## 10. Performance

- 10.1. The Committee will arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 11. Duties

The Committee shall have the following duties:

### Risk Strategy & Policy.

- 11.1. Approve any risk management policies (or changes to those policies) prepared by the CRO and monitor the effectiveness of, and compliance with, such policies;
- 11.2. Ensure that a suitable Risk Management Process is in place for HLFM
- 11.3. Advise the Board on the company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Financial Conduct Authority and other authoritative sources that may be relevant for the company's risk policies.
- 11.4. Oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- 11.5. Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.
- 11.6. Review the relationships the Group has with its Regulators and any significant reports which those Regulators issue in respect of the Group's activities;

### Risk Profile

- 11.7. Keep under review the company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;

- 11.8. Review regularly and approve the parameters used in these measures and the methodology adopted; and
- 11.9. Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 11.10. Oversee and advise the Board upon the embedding and maintenance throughout the Group of a supportive risk management culture and is to be satisfied that the business is effectively managing and monitoring its risks to ensure:
  - 11.11. Ensure effective delegation of risk management responsibilities across the Group'
  - 11.12. Oversee the effective management of the current and emerging key risks.
  - 11.13. Monitor management action plans to mitigate key risks are being implemented effectively
  - 11.14. Ensure that material incidents with Group-wide implications are managed effectively, that remedial action is taken and the lessons learned are implemented.
  - 11.15. Receiving regular written reports from and risk management, to include fund management risk, and to include risk across all Group subsidiaries.
  - 11.16. Review reports on any material breaches of risk limits and the adequacy of proposed action
  - 11.17. Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
  - 11.18. The Committee shall continuously monitor the adequacy and effectiveness of the Company and Group's internal controls understanding how these affect the risk profile of the business.
  - 11.19. The Committee will receive and review a report from the Investment Committee on compliance with the requirements of AIFMD
  - 11.20. The Committee will produce a report annually for the Audit Committee summarising its views of the design and operating effectiveness of the Group's Risk and Internal Controls Framework,
  - 11.21. The Committee shall monitor the Company and Group's remuneration schemes and their impact on the risk profile of the business.
  - 11.22. The Committee will produce a report annually for the Remuneration Committee summarising its views on the remuneration schemes in operation.

#### Risk Appetite and Limits

- 11.23. Advise the Board on the company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities including the Financial Conduct Authority and other authoritative sources that may be relevant for the company's risk policies.

#### Risk Management effectiveness

- 11.24. Receive annual updates on the adequacy and effectiveness of HL's risk management process.
- 11.25. Review the Company's capability to identify and manage new risk types in conjunction with the Audit Committee.
- 11.26. Keep under review the effectiveness of the Company's risk management systems and review and approve the statements to be included in the annual report concerning risk management.

#### Oversight of the CRO

- 11.27. Ensure that the CRO communicates regularly with the Chairman and will have the right and responsibility to elevate issues to the Chairman where he/she considers it

- necessary in the furtherance of his/her responsibilities.
- 11.28. Receive regular reports from the CRO and, as appropriate, from the heads of Legal, Compliance and Internal Audit.
  - 11.29. Ensure the CRO shall be given the right of unfettered direct access to the Group Chairman and to the Committee.
  - 11.30. Recommend to the Board the appointment and/or removal of the CRO.
  - 11.31. Review promptly all reports from the CRO.
  - 11.32. Review and monitor management's responsiveness to the findings and recommendations of the CRO.
  - 11.33. Review the activities of the CRO and the effectiveness of the CRO's function
  - 11.34. Review the CRO's annual plan and resourcing

#### Individual Capital Adequacy Assessment Process ("ICAAP")

- 11.35. Review, at least annually, and recommend to the Board the Group's Internal Capital Adequacy Assessment Process ("ICAAP") or other regulatory equivalents which apply to the Group. This will provide an overall consolidated Risk and Internal Controls Framework of the Group's principal risks, their associated mitigation and controls and the surplus regulatory capital required commensurate with the Group's risk profile and regulatory obligations.

#### AML, data protection, fraud, IT security and cyber risk

- 11.36. Review the Company's procedures for detecting fraud.
- 11.37. Review the Company's procedures for the prevention of bribery and receive reports on non-compliance
- 11.38. Review regular reports from the Money Laundering Reporting Office and the adequacy and effectiveness of the Group's anti-money laundering systems and controls;
- 11.39. Review regular reports from the Chief Information Security Officer (CISO) on the IT Security and Cyber Risk control environment.
- 11.40. Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.

### 12. Reporting responsibilities

- 12.1. The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 12.2. The Committee shall report to the Audit Committee on the effectiveness of the Compliance and Risk Management Departments and the Risk and Internal Controls Framework.
- 12.3. The Committee shall report to the Remuneration Committee on the remuneration schemes in operation.
- 12.4. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 12.5. The Committee shall produce a report of its activities and the Company's risk management and strategy to be included in the Company's annual report.
- 12.6. The directors' report in the annual report and accounts should set out risk management objectives and policies.

### 13. Authority

- 13.1. The Committee is authorised to seek any information it requires from any employee/director of the Company in order to perform its duties;
- 13.2. Any member of the Committee is authorised to obtain, at the Company's expense, external legal or other professional advice on any matter within its terms of reference where required;
- 13.3. The Committee may request the attendance of any employee at a meeting of the Committee as and when required.
- 13.4. To Committee is authorised to oversee any investigation of activities which are within its terms of reference.