

# TERMS OF REFERENCE AUDIT COMMITTEE

## Hargreaves Lansdown plc (the Company)

### 1 Purpose

The purpose of the Audit Committee (the Committee) is to provide oversight and advice to the board of directors of the Company (the Board) in respect of the matters listed in Section 2 below with regards to the Hargreaves Lansdown Group (including Hargreaves Lansdown Asset Management Ltd)<sup>1</sup> and to report formally to the Board on those matters after each meeting.

### 2 Duties

The Committee should have oversight of the Group as a whole as regards to matters within its remit and, unless required otherwise by regulation, carry out the duties below in respect of the Company, major subsidiary undertakings and the Group as a whole.

#### 2.1 Financial Reporting

- 2.1.1 The Committee shall monitor the integrity of the financial statements of the Group and the Company, including its annual and half-yearly report and financial statements, trading updates, preliminary announcements and any other formal announcement relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those announcements contain having regard to matters communicated to it by the External Auditor.
- 2.1.2 In particular the Committee shall, paying due regard to the Group's culture and defined behaviours, review and challenge where necessary:
  - 2.1.2.1 the application and appropriateness of significant accounting policies and any changes to them both on a year on year basis and across the Company and the Group;
  - 2.1.2.2 the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
  - 2.1.2.3 whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the External Auditor on the Group's financial statements;
  - 2.1.2.4 the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any related correspondence between the Company and the External Auditor;
  - 2.1.2.5 material adjustments resulting from the External Audit;
  - 2.1.2.6 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
  - 2.1.2.7 the assumptions of qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate justified period; and
  - 2.1.2.8 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.
- 2.1.3 The Committee shall review any other statements requiring Board approval which contain financial information where a prior review by the Committee would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules and Disclosure Guidelines and Transparency Rules.
- 2.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group or the Company, it shall report its views to the Board.

<sup>1</sup> References to the "Group" shall mean the Company and all of its subsidiaries. For the avoidance of doubt, the following FCA authorised entities are all included within the Group: Hargreaves Lansdown Asset Management Limited; Hargreaves Lansdown Savings Limited; Hargreaves Lansdown Advisory Services Limited; and Hargreaves Lansdown Fund Managers Limited.

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## 2 Duties

### 2.2 Narrative Reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the Code).

### 2.3 Internal controls and risk management systems

- 2.3.1 The Committee shall keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems. In doing so, it shall pay due regard to the Group's culture and defined behaviours.
- 2.3.2 The Committee shall receive a report annually from the Risk Committee summarising its views of the design and operating effectiveness of the Group's Risk Management Framework, and system of internal controls.
- 2.3.3 The Committee shall commission an annual report from the Head of Internal Audit opining on the design and operating effectiveness of controls covered by the Internal Audit Plan.
- 2.3.4 The Committee shall review and approve the statements to be included in the Company's annual report concerning internal control, risk management and the viability statement.

### 2.4 Compliance, whistleblowing and fraud

- 2.4.1 The Committee shall review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. In doing so, the Committee shall have regard to the Group's culture and defined behaviours, and shall ensure that the arrangements in place allow proportionate and independent investigation of such matters and appropriate follow up action.
- 2.4.2 The Committee shall regularly review compliance monitoring reports provided by the Compliance Officer and keep under review the adequacy and effectiveness of the Group's Compliance Function.
- 2.4.3 The Committee shall review the Group's procedures for detecting fraud.
- 2.4.4 The Committee shall review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 2.4.5 The Committee shall review regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Group's anti-money laundering systems and controls.
- 2.4.6 The Committee shall review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Group's compliance function.
- 2.4.7 Consider and approve the remit of the Group's Compliance oversight function and ensure it has adequate resources and appropriate access to information to enable it to perform its duties 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.

### 2.5 Internal Audit

The Committee shall:

- 2.5.1 approve the appointment and removal of the Head of Internal Audit;
- 2.5.2 review and annually approve the Internal Audit Charter of the Internal Audit function and monitor and review the effectiveness of the function's work, ensuring that it is appropriate in the context of the Group's overall risk management system and the current needs of the organisation;
- 2.5.3 ensure the Internal Audit function has direct access to the Chair of the Board and to the Chair of the Audit Committee (the Committee Chair) independent of the Executive, and accountability to the Committee;
- 2.5.4 review and approve the Internal Audit Plan to ensure it is aligned to the key risks of the business, and the Group's culture and defined behaviours, and receive regular reports on work carried out;

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## 2 Duties

- 2.5.5 ensure the Internal Audit function has unrestricted scope, the necessary resource and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions as part of the Internal Audit Plan and ensure that the Internal Audit function is equipped to perform in accordance with appropriate professional standards attributed to that of internal auditors;
- 2.5.6 carry out an annual assessment of the effectiveness of the Internal Audit function and as part of this assessment:
  - 2.5.6.1 meet with the head of Internal Audit at least once a year without the presence of management to discuss the effectiveness of the function;
  - 2.5.6.2 review and assess the annual Internal Audit Plan;
  - 2.5.6.3 receive a report on the results of the Internal Audit function's work;
  - 2.5.6.4 determine whether it is satisfied that the quality, experience and expertise of the Internal Audit function is appropriate for the business; and
  - 2.5.6.5 review the actions taken by management to implement the recommendations of the Internal Audit function and support the effective working of the Internal Audit function;
- 2.5.7 monitor and assess the role and effectiveness of the Internal Audit function in the overall context of the Group's risk management system and the work of compliance, finance and the external auditor
- 2.5.8 consider whether an independent, third party review of Internal Audit effectiveness and processes is required.

The Committee Chair shall:

- 2.5.9 set the objectives of the Head of Internal Audit and assess their performance with support from the Chief Executive Officer;
- 2.5.10 recommend the annual remuneration of the Head of Internal Audit for approval by the Remuneration Committee; and
- 2.5.11 oversee and approve the appointment process for the independent assessor to review the Internal Audit function at least every five years.

### 2.6 External Audit

The Committee shall:

- 2.6.1 consider and make recommendations to the Board, to be put to the Company's shareholders for approval at the Annual General Meeting (the AGM), in relation to the appointment, reappointment and removal of the Company's External Auditor;
- 2.6.2 ensure that, in accordance with the timescales recommended within the Code, the audit services contract is put out to tender at least once every ten years to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering process;
- 2.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 2.6.4 oversee the relationship with the External Auditor including (but not limited to):
  - 2.6.4.1 approving their remuneration, including fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted; and
  - 2.6.4.2 approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 2.6.5 assess annually the External Auditor's independence and objectivity taking into account relevant UK law, regulation, the Financial Reporting Council's Revised Ethical Standard 2016 (or its successor) (Ethical Standard) and other professional requirements and the Group's relationship with the External Auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 2.6.6 satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the Company or other member of the Group (other than in the ordinary course of business) which could adversely affect the External Auditor's independence and objectivity;

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## 2 Duties

- 2.6.7 agree with the Board a policy on the employment of former employees of the Company's External Auditor, taking into account the Ethical Standard and legal requirements and monitor the application of that policy;
- 2.6.8 monitor the External Auditor's process for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partners and staff;
- 2.6.9 monitor the level of fees paid by the Company to the External Auditor compared to the overall fee income of the firm and assess these in the context of relevant, legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 2.6.10 assess annually the qualifications, expertise, resources and independence of the External Auditor and the effectiveness of the audit process, which shall include a report from the External Auditor on their own internal quality procedures;
- 2.6.11 seek to ensure co-ordination with the activities of the Internal Audit function;
- 2.6.12 meet regularly with the External Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage and at least once a year, without management being present, to discuss the External Auditor's remit and any issues arising from the audit;
- 2.6.13 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of any External Auditor communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;
- 2.6.14 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 2.6.15 review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
- a discussion of any major issues which arose during the audit;
  - views on their interactions with senior management;
  - any key accounting and audit judgments;
  - levels of errors identified during the audit; and
  - the effectiveness of the audit process.
- 2.6.16 review any representation letter(s) requested by the External Auditors before they are signed by management;
- 2.6.17 review the management letter and management's response to the External Auditor's findings and recommendations;
- 2.6.18 review the effectiveness of the audit process, including an assessment of the quality of the audit and the External Auditor's handling of key accounting and audit judgements and response to questions from the Committee; and
- 2.6.19 develop and recommend to the Board the Group's formal policy on the provision of non-audit services by the External Auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit services to be pre-approved, and the assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- threats to the independence and objectivity of the External Auditor and any safeguards in place;
  - the nature of the non-audit services;
  - whether the External Audit firm is the most suitable supplier of non-audit services;
  - the fees for non-audit services, both individually and in aggregate, relative to the audit fee; and
  - the criteria governing compensation.
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<b>3 Reporting responsibilities</b>	<p>3.1 The Committee Chair shall formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:</p> <p>3.1.1 the significant issues that it considered in relation to the financial statements (required under para 2.1.1) and how these were addressed;</p> <p>3.1.2 its assessment of the effectiveness of the External Audit process (required under para 2.6.10) the approach taken to the appointment or reappointment of the External Auditor, the length of tenure of the External Audit firm, when a tender was last conducted and advance notice of any retendering plans; and</p> <p>3.1.3 any other issues on which the Board has requested the Committee's opinion.</p> <p>3.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>3.3 The Committee shall compile a report on its activities to be included in the Company's annual report. Such a report shall include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the auditor, and all other information requirements set out in the Code.</p> <p>3.4 In compiling the reports referred to in 3.1 and 3.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to the Company's shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.</p> <p>3.5 The Committee shall make these terms of reference available to shareholders by placing them on the Company's website.</p>						
<b>4 Membership</b>	<p>4.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chair.</p> <p>4.2 All members of the Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing, and ideally, with a professional qualification from one of the professional accountancy bodies. The Chair of the Board shall not be a member of the Committee.</p> <p>4.3 Only members of the Committee have the right to attend the Committee meetings. However, other individuals including the Chair of the Board, Chief Executive Officer (CEO), Chief Financial Officer (CFO), other directors of members of the Group, the Heads of Risk, and Internal Audit and representatives from the Finance Function may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or Committee.</p> <p>4.4 The External Auditor will be invited to attend meetings of the Committee on a regular basis.</p> <p>4.5 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods so long as members continue to be independent.</p> <p>4.6 The Board shall appoint the Committee Chair who shall be an Independent Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.</p>						
<b>5 Committee composition</b>	<p><b>5.1 Members</b></p> <table data-bbox="464 1715 1193 1809"> <tr> <td>Roger Perkin</td> <td>Committee Chair, non-executive director</td> </tr> <tr> <td>Andrea Blance</td> <td>Non-executive director</td> </tr> <tr> <td>John Troiano</td> <td>Non-executive director</td> </tr> </table> <p><b>5.2 Attendees</b></p> <p>CFO Head of Internal Audit External Auditor (PricewaterhouseCoopers)</p>	Roger Perkin	Committee Chair, non-executive director	Andrea Blance	Non-executive director	John Troiano	Non-executive director
Roger Perkin	Committee Chair, non-executive director						
Andrea Blance	Non-executive director						
John Troiano	Non-executive director						

<b>6 Secretary</b>	The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
<b>7 Quorum</b>	The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the discretions vested in or exercisable by the Committee.
<b>8 Meeting frequency</b>	<p>8.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as may be necessary.</p> <p>8.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Group's governance, including the Board Chair, the CEO, the CFO, the External Audit lead partner and the Head of Internal Audit.</p>
<b>9 Notice of meetings</b>	<p>9.1 Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair, any of its members or at the request of the External Audit lead partner or Head of Internal Audit if they consider it necessary.</p> <p>9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.</p>
<b>10 Minutes of meetings</b>	<p>10.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.</p> <p>10.2 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 Committee Chair determines that it is material, he/she shall have the power to exclude that Committee member from discussions on that issue.</p> <p>10.3 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Committee Chair having the casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote is taken, can ask for his or her dissent to be noted in the minutes.</p> <p>10.4 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 Committee Chair.</p> <p>10.5 Final signed copies of the minutes of the meetings of the Committee shall be maintained for the Company's records.</p>
<b>11 Authority</b>	<p>11.1 The Committee is authorised to seek any information it requires from any employee/director of the Group in order to perform its duties, including HR, Risk and Finance teams.</p> <p>11.2 Any member of the Committee is authorised to obtain, at the Company's expense, independent legal or other professional advice on any matter they believe necessary to do so.</p> <p>11.3 The Committee may request the attendance of any employee of the Group at a meeting of the Committee as and when required.</p> <p>11.4 The Committee is authorised to oversee any investigation of activities which are within its terms of reference.</p> <p>11.5 The Committee has the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.</p>

<b>12 Other matters</b>	<p>12.1 The Committee will have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.</p> <p>12.2 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.</p> <p>12.3 The Committee shall give due consideration to laws and regulations and any published guidelines or recommendations, including but not limited to the provisions of the Code and the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Association of British Insurers, Institutional Shareholder Services and the National Association of Pension Funds and any other applicable rules, as appropriate.</p> <p>12.4 The Committee will be responsible for coordination of the Internal and External Auditors.</p> <p>12.5 The Committee will work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees.</p> <p>12.6 The Committee shall arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.</p>
<b>13 AGM</b>	The Committee Chair should attend the AGM of the Company to respond to any questions from shareholders on the Committee's activities.
<b>14 Amendments</b>	Amendments to these terms of reference require the approval of the Board.
<b>15 Date of last amendment</b>	29 January 2020, approved by the Board.