HARGREAVES LANSDOWN PLC

PILLAR III DISCLOSURES

BASED ON FINANCIAL DATA AS AT 30 JUNE 2018

CONTENTS

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row

1. Overview

1.1 Regulatory Framework

On 1st January 2014, the European Union established a revised framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The Directive is commonly known as the Capital Requirements Directive IV ("CRD IV") and is directly binding on firms in the UK. The applicable resulting regulations are:

- The Capital Requirements Regulation – ("CRR")
- Prudential sourcebook for investment firms – ("IFPRU")

The framework consists of three pillars:

Pillar I sets out the minimum capital requirements to hold for credit, market and operational risk;

Pillar II is a capital adequacy assessment and complements the existing Pillar I requirements by assessing the need to hold additional capital under a more risk based assessment; and

Pillar III focuses upon disclosure requirements which enable the market to assess information on firm's risks, capital and risk management procedures.

1.2 Scope

The disclosure of this document meets the obligation of Hargreaves Lansdown Plc (the "Company") with respect to Pillar III. The Pillar III disclosure requirements are contained in Articles 431-455 of the CRR. The purpose of these disclosures is to provide information on the basis of calculating Basel III capital requirements and on the management of risks faced by the Company and its subsidiaries (together the "Group").

The CRR rules, governing Pillar III disclosures, provide that the Group may choose not to disclose information which is not material (Article 432) (1). The Group may also choose not to disclose information if it is proprietary or confidential, though it must state if any such items have been omitted (Article 432) (2) with the exception of Risk Management Objectives and Policy (Article 435 (2) (C)), Own funds (Article 437) and Remuneration Policy (Article 450).

1.3 Group structure & composition

The accounting consolidation for the annual financial statements includes all entities controlled by Hargreaves Lansdown Plc. The prudential consolidation ("Consolidation Group") includes all entities with the exception of some Dormant and Trustee companies including the Employee Benefit Trust (EBT) - see table 1. The reserves of the EBT are not distributable by the Group, as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deeds.

Apart from the requirements of the UK regulator, the Financial Conduct Authority ("FCA"), to hold regulatory capital in individual regulated entities and corporate law restrictions on the reduction, redemption and purchase of share capital, there are no practical or legal impediments to the prompt transfer of capital between the Company and its subsidiaries[1].

[1] All trading subsidiaries are wholly owned with the exception of Library Information Services Ltd (78% owned) and Hargreaves Lansdown Savings Ltd, Hargreaves Lansdown owns 100% of 'A' Ordinary Shares and 92.5% of voting rights

Table 1: Entities included/excluded within the prudential consolidation (Consolidation Group)

Company name	Principal activity	Regulation
Prudential Consolidation Group:		CRD IV
Hargreaves Lansdown Plc	Non-regulated holding company.	CRD IV
Hargreaves Lansdown Asset Management Ltd	Unit trust and equity broking, investment fund management, life and pensions consultancy	Limited Licence IFPRU €125k firm
Hargreaves Lansdown Fund Managers Ltd	Unit trust management	Collective Portfolio Manager (CPM)
Hargreaves Lansdown Advisory Services Ltd	Advisory services	Personal Investment Firm (PIF)
Hargreaves Lansdown Stockbrokers Ltd	Provision of FCA regulated products and services, principally execution only stock broking services[2].	Limited Licence IFPRU €125k firm
Hargreaves Lansdown Savings Ltd	Cash services	Payment Services Regulation (PSR)
Library Information Services Ltd	Data provider to HL and third parties.	CRD IV
HL Tech Sp.Z.O.O	Service company	CRD IV
Hargreaves Lansdown Investment Management Ltd	Dormant	CRD IV
Hargreaves Lansdown Pensions Ltd	Dormant	CRD IV

Trustee & Dormant Co's excluded from Prudential UK Consolidation Group:	Principal activity
Hargreaves Lansdown (Nominees) Ltd	Nominees services
Hargreaves Lansdown EBT Trustees Ltd	Corporate trustee for the Hargreaves Lansdown Employee Benefit Trust
Hargreaves Lansdown Pensions Trustees Ltd	Corporate trustee for the Hargreaves Lansdown SIPP
Hargreaves Lansdown Trustee Company Ltd	Corporate trustee for the Share Incentive Plan
Hargreaves Lansdown Insurance Brokers Ltd	Dormant

[2] Hargreaves Lansdown Stockbrokers Ltd ceased trading on 31 January 2017 – all trade and assets were sold to Hargreaves Lansdown Asset Management Ltd

1.3 Frequency

Pillar III disclosures will be made on an annual basis following publication of the Group's annual report.

1.4 Location

The Pillar III disclosure report will be published in the Investor Relations section of the Group's website (www.hl.co.uk), and will also be available on request by writing to Investor Relations, One College Square South, Anchor Road, Bristol, BS1 5HL.

1.5 Verification

Disclosures will only be subject to external verification to the extent they are equivalent to those taken from the audited annual financial statements. These disclosures explain how the Hargreaves Lansdown Plc Board (the "Board") has calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about the Group.

2 Governance

2.1 Governance Structure

Risk management is a core responsibility of all colleagues at HL. The oversight of risk and control management is provided by Board committees and the Group Risk and Compliance functions. The Board has ultimate responsibility for the Group's risk management, risk strategy and determining an appropriate risk appetite as well as setting the tolerance levels within which the Group must operate.

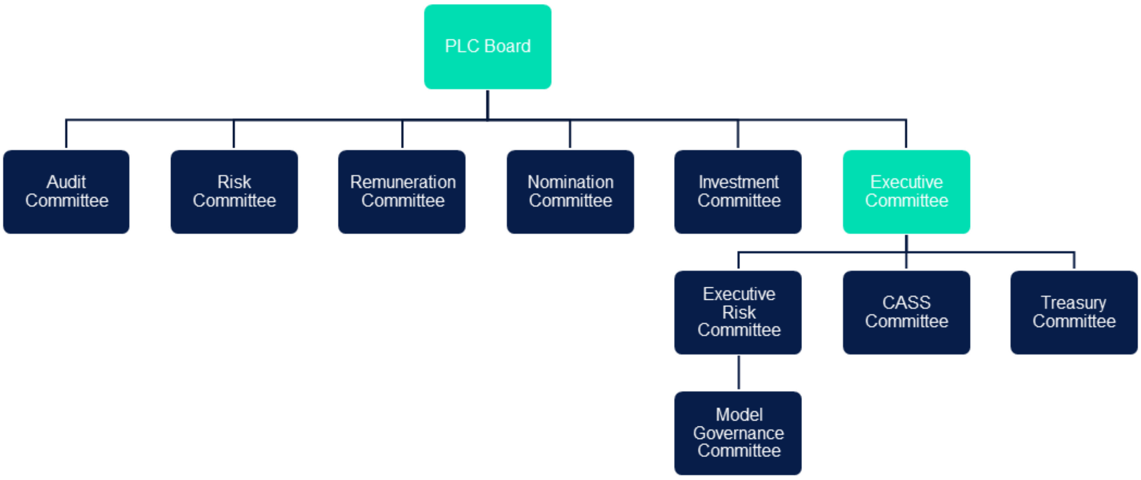
Executive ownership of the Internal Capital Adequacy Assessment Process (ICAAP) rests with the Director of Risk & Compliance with day to day accountability owned by the Chief Risk Officer.

HL manages risk at a consolidated level, ensuring completeness of the Group's overall risk profile. The Group's Risk Management Framework sets out HL's approach to managing risk within agreed appetite levels. It aligns to delivering both the Group strategy and fair outcomes for our clients.

Risk is a key consideration of all the Plc committees, with the primary committee for risk consideration being the 'risk committee'.

There are three key business committees with a focus on risk management and the ICAAP (1) Executive Committee (EXCO), (2) Executive Risk Committee (ERC), and (3) the Model Governance Committee (MGC). Each committee meets on at least a quarterly basis.

Figure 1: Board and Executive Committees



Plc Board

The Plc Board is responsible to shareholders for strategic direction, oversight of management, and control of the Group's activities.

Executive Committee (Exco)

The Exco is the primary governance committee of the Executive Directors of the business. It oversees the management of the business and business strategy. The Executive Committee is led by the Chief Executive and is primarily responsible for developing the business and delivering against the Board approved strategy.

Executive Risk Committee (ERC)

The ERC is a sub-Committee of the Exco, focussed on the consideration of the risks managed by the business in relation to agreed risk appetite and the capital impacts on HL's risk profile.

Model Governance Committee (MGC)

The MGC has responsibility for overseeing the Operational Risk Model and providing assurance to the Board and executive management that the adopted methodology and approach is appropriate given the scale, nature and complexity of the business.

ICAAP Governance Process

HL has robust governance arrangements in place to provide sufficient review and challenge including additional governance through a newly formed MGC that oversees key model inputs, assumptions and calibration settings. The end-to-end ICAAP involves the HL Board, HL risk committee and executive management including ongoing reviews that shape both the underlying activities and final report through their review and challenge.

Risk Management Framework (RMF)

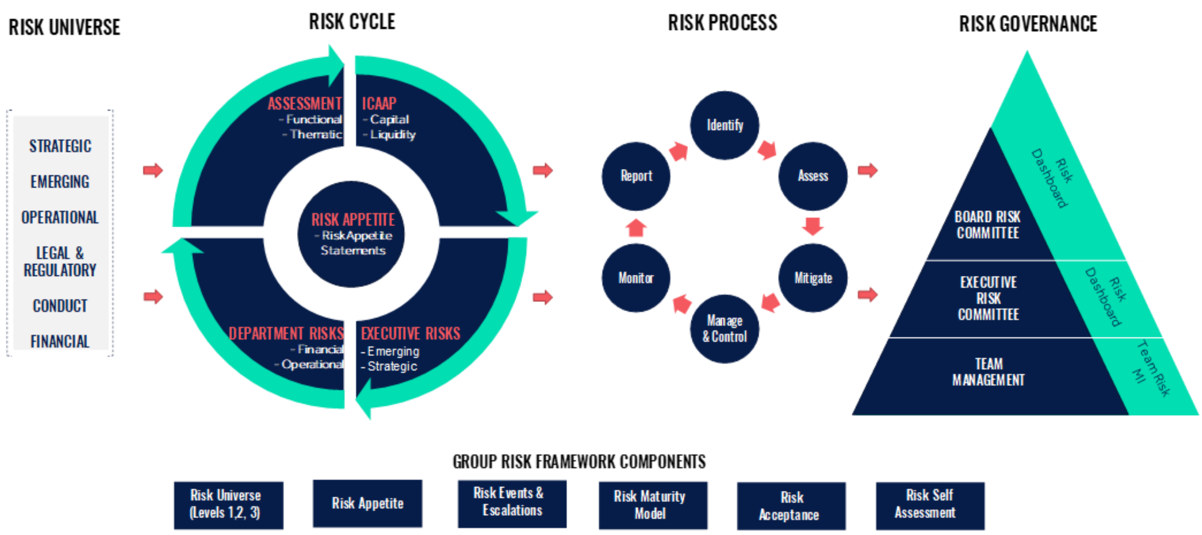
Risk management is an integral or natural part of HL's organisational processes and procedures. The HL Risk Management Framework is a fundamental component of its business planning and decision making process.

Integrating HL's Risk Management Framework into day to day processes supports the achievement of core business objectives in a controlled environment and the continued provision of market leading client experience.

The departmental risk register process is the foundation of the Group's RMF. Each functional business area completes a risk assessment, facilitated by the Group Risk team. This is reviewed alongside the periodic control performance assessments and Key Risk Indicators (KRIs) to ensure emerging risks are also captured and managed. Risk owners give consideration to relevant operational losses, process changes or system amendments within the department. Where controls are insufficient, management defines improvements to bring risks within agreed tolerance levels.

Identified risks that have a sufficiently high likelihood of potential impact on the Group are reported in the risk dashboard to ensure they receive a suitably high level of executive and Board attention. The executive and Board take action where the risks are outside of tolerance levels or may become so.

Figure 2: Risk Management Framework



Risk Universe

HL has a comprehensive risk framework capturing both forward looking risks (executive risks) and current business as usual risks (departmental risks). The executive risks are either strategic or emerging risks. The departmental risks are the consolidated view of the risks to which the business area is currently exposed (and would impact business as usual) and managed in the course of normal business activity. Risk materials are reviewed by the Board and executive management teams on a rolling basis with support from the second line business functions.

The Group has an agreed and documented risk universe, which sets out the high level risk categories to which the business is exposed and to which all risks are linked. Risks are captured using both top-down and bottom-up approaches and each risk is assigned to an agreed risk owner. The risk universe ensures that there is completeness in the capture of risks and that there is consistency of treatment across all risk categories.

Risk Appetite

The Board has agreed risk appetite statements and risk tolerance levels. The appetite statements cover all areas of the risk universe and are linked to a set of KRIs. Risk Appetite is defined, monitored and reported at the Board and the risk committee. The statements and associated metrics are agreed at least annually.

For each risk appetite statement the Board has agreed inner and outer limits, which set out the levels for formal escalation. A breach of the inner level requires escalation to the ERC (or the Treasury Committee if applicable), a breach of the outer level requires escalation to the risk committee. A further layer of risk appetite management is in place through the operational risk limits (and KRIs) agreed for the risks captured under the Operational Risk category. These limits are managed by the Risk team, with oversight and approval from the ERC.

3 Own Funds

3.1 Capital Management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital as at 30 June 2018, was £405.2 million and this capital is managed via the net assets to which it relates.

Regulatory capital is determined in accordance with the requirements of the CRR and the Group's regulatory capital is divided into two tiers:

- Tier 1 capital - the total of issued share capital, retained earnings and reserves created by appropriations of retained earnings, adjusted for the net of the book value of goodwill, intangible assets and deferred tax assets that rely on future profitability if they represent greater than 10% of own funds; and

- Tier 2 capital – is designed on supplementary capital and is composed of items such as revaluation reserves, hybrid instruments and subordinated debt.

The entire base of capital resources can be regarded as Tier 1 capital i.e. the most robust category of financial resources against which all requirements can be measured.

The Group's objectives when managing capital are i) to comply with the regulatory capital requirements set by the FCA and European Banking Authority ii) 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 and iii) to maintain a strong capital base to support the development of its business.

3.2 Own Funds – Capital Resources calculation

The Group has complied with the capital requirements set out by the EBA/FCA. Table 2 shows the breakdown of the total available regulatory capital for the Consolidation Group reconciled to the capital shown in the audited consolidated financial statements.

Table 2: Reconciliation of Own Funds as per audited financial statements as at 30 June 2017 and Consolidation Group Own funds as at 30 June 2018

HL Plc Consolidated Group	Year end 2018 (£000's)
Own Funds (Balance Sheet)	307.7m
Regulatory adjustments:	
Trustee and dormant companies (note 1)	(5.5)
Profits verification – 11 months to May 2018	219.1
Dividends paid in the year	(144.5)
Foreseeable dividend (note 2)	(152.3)
Intangible assets (note 3)	(18.1)
Goodwill	(1.3)
Regulatory Own Funds	205.1
Risk Weighted Assets	328.5
Tier 1 Ratio (£205.1m / £328.5m)	**62.4%**

Note (1): Trustee and Dormant companies are excluded from the regulatory definition of the Consolidation Group.

Note (2): Foreseeable dividend was the estimated final and special dividend due to be paid in October 2018 relating to the financial statements for the year ended 30 June 2018. The actual payment was £141.7m.

Note (3): Intangible assets represent software costs and software assets under construction.

For accounting purposes, software and IT development costs are capitalised as intangible fixed assets where they meet certain criteria. Intangibles do not qualify as capital for Tier 1 purposes and are therefore deducted.

4 Capital Adequacy

4.1 Regulatory Capital Requirement

The Pillar I capital requirement under CRD IV is the higher of i) the fixed overhead requirement and ii) the sum of the credit risk capital requirement, market risk capital requirement and settlement risk capital requirement (the sum of points a) to d) and f) of Article 92 (3)).

The consolidation group and each of the qualifying regulated entities within the Group are required to meet the relevant Pillar I regulatory CRR set out in CRD IV.

The Group is required to meet further requirements of the Directive under Pillar II and assess the cost of following a plan that allows an orderly run-off following the decision to wind up the business.

The FCA takes into account the above assessments during their Supervisory Review & Evaluation Process (SREP) before issuing any Individual Capital Guidance (ICG). Overall, the Group must therefore hold capital based on the higher of the Pillar I and Pillar II calculations in accordance with guidance from the FCA.

Pillar II capital requirements are outside the scope of this disclosure document.

4.2 Capital ratios

The Consolidation Group and all qualifying regulated entities within the Group are required to meet the general own funds requirement under Pillar I in accordance with Article 92 of the CRR. Institutions shall at all times satisfy the following own funds requirements:

a) A Common Equity Tier 1 capital ratio of 4.5%
b) A Tier 1 capital ratio of 6%
c) A total capital ratio of 8%

CRD IV requires these ratios to be calculated using the capital resources divided by the total exposure values, which are the Pillar I requirements multiplied by 12.5. As at 30 June 2018 the Tier 1 ratio was 62.4%.

4.3 Pillar I minimum capital requirement calculation

Table 3: Pillar I capital requirement calculation

	Consolidated Group as at 30 June 2018	
	Minimum 8% own funds requirement	Risk weighted assets
	£m	£m
Fixed overhead requirement	26.3	328.5
Credit risk requirement	12.8	160.4
Settlement risk requirement	0.1	1.1
Own Funds Pillar I requirement (Fixed Overhead Requirement)	**26.3**	**328.5**
Regulatory own funds	**205.1**	
Excess of own funds over Pillar I capital requirement	178.8	
Cover relative to capital resources	**780%**	

5 Credit Risk

5.1 Credit risk overview

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

Within the Group's stockbroking operations, the Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. These transactions are with financial institutions and clients.

Other regulatory credit risk within the Group is primarily attributable to fixed assets and other trade receivables. The majority of these trade receivables represent balances due from retail clients and other regulated financial institutions where there is an ongoing relationship between the Group and institution. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash is held with banks or building societies who have been authorised to accept deposits in the UK, and are regulated by the Prudential Regulation Authority therefore recognised as under the protection of the Financial Services Compensation Scheme. The Group considers the credit risk on liquid funds to be limited. The Group takes what it considers to be a conservative approach to treasury management and its selection of banking counterparties, and carries out frequent reviews of all its banks' and custodians' ratings in addition to ongoing monitoring of treasury policy and suitability of banking counterparties.

Credit risk is calculated under the standardised approach as per Article 107. The exposure value of an asset is its accounting value after credit risk adjustments.

5.2 Analysis of the credit risk capital requirement and risk weighted assets

The Group has adopted the standardised approach to credit risk applying an 8% factor to the risk weighting for each asset class.

Table 4: Credit risk capital requirement and risk weighted assets by exposure class

Exposure classes	Minimum 8% own funds requirement £m	Risk weighted exposure £m
Institutions	8.1	100.8
Retail	2.2	27.7
Other items	1.1	13.7
Central governments or central banks	0.8	10.1
Corporates	0.5	6.7
Equity	0.1	1.4
Total credit risk capital requirement	12.8	160.4

5.3 Capital requirement for settlement/delivery risk**:**

The risk exposure amount for settlement/delivery risk relates to trades that are past the agreed settlement date and is calculated as the price difference between the agreed settlement price of the security and its current market value, where the difference could involve a loss for the Group (Article 378 CRR). As at 30 June 2018 the settlement/delivery risk requirement was £84k.

5.4 Capital requirement for operational risk:

Operational risk is defined by the FCA as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. As a Limited Licence Group, the Group is not required to hold capital at Pillar I under the FCA's standardised approach to operational risk (IFPRU 5.1.1) and has not done so.

5.5 Concentration risk

Concentration risk is the risk that activities or exposures in a single area may lead to an unexpected loss. HL holds cash balances with approved banks and the risk of bank concentration is considered to be sufficiently mitigated by splitting this exposure between approved banks mainly Lloyds, Barclays and Bank of Scotland.

6 Market Risk

6.1 Market risk overview

Market risk is the risk of loss that arises from fluctuations in the values of, or income from, assets and liabilities as a result of movement in market rates of prices. The effects of changes in interest rates are considered as interest rate risk in the non-trading book.

HL does not operate a trading book. Market risk does affect the values of customer accounts. This impacts HL through lower than anticipated assets under administration and subsequent reduction in annual fund management charges and income.

6.2 Interest rate risk in the non-trading book

The Group is exposed to interest rate risk. Interest rate risk is the risk that the Group will sustain a loss of revenue from adverse movements in its interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2018 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £125.3million comprising cash and cash equivalents.

The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings.

As 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. These balances are not on the Group balance sheet.

The Group is also exposed to business risk arising from the impact of interest rates on the wider investment market as the Group derives revenue from assets under administration.

6.3 Foreign exchange risk

The Group is not exposed to any material foreign exchange 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. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

Under Article 351 of the CRR, HL holds a net foreign-exchange position of less than 2% of own funds and is therefore not required to hold a Pillar I market risk position

6.4 Trading book position risk

The Group does not trade as principal and therefore is not exposed to trading book positon risk.

7 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal and financial crime risks, but does not include strategic, reputation and business risks. The Group seeks to mitigate operational risk in accordance with its risk management process outlined in Section 2.

As a Limited Licence Group, the Group is not required to hold capital at Pillar I under the FCA's standardised approach to operational risk and has not done so. However, in assessing the risk universe, some risks have an operational impact, particularly in relation to technology, IT and systems and areas that can give rise to regulatory issues. The financial and reputational impact of these risks has been assessed and stressed as part of our Pillar II analysis to calculate an appropriate capital figure. The Group maintains insurance against a number of major operational risks.

8 Reputational risk

Reputational risk is the risk that any event or circumstance occurs that could adversely impact the Group's reputation. The effect could be a loss of confidence in the business by clients which would ultimately affect the ability to generate income.

The Group's reputation has been built up over many years and is a contributing factor to attracting and retaining clients. This covers brand damage, negative media coverage or poor PR, although many risks may carry an element of reputational risk.

9 Business risk

Business risk is the exposure to uncertainty in the macroeconomic environment. Business risk is managed with a long-term focus, assisted by appropriate management oversight and a corporate governance framework.

The most significant business risk exposure to the Group is a severe and prolonged downturn in financial markets. The Group assesses a Pillar II capital requirement in respect of this risk by projecting the effects of this scenario and also by considering the mitigating action which could be taken to reduce the effect.

10 Liquidity risk

Liquidity risk is the risk that HL, although solvent, does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at an excessive cost. HL maintains adequate liquidity to cover its needs on a daily basis, and is self-sufficient in terms of its liquidity requirements. All client assets are held in a separate nominee company. Client money is held in segregated client money accounts which therefore do not present any liquidity risk.

Whilst the services provided by the Group are highly cash generative, the Group's management are committed to the control and management of liquidity on a day-to-day basis to ensure all obligations can be met in a timely manner. In order to do this, and also to comply with the wider requirements of the FCA, Hargreaves Lansdown has set a conservative liquidity risk appetite, introduced governance and controls appropriate to a large retail investment firm and designed a Contingency Funding Plan (CFP).

Hargreaves Lansdown's high level approach to corporate liquidity management is:

- Determine the level of available cash resources by forecasting the month end cash position;
- Ensure that cash balances together with other funding sources remain sufficient in line with the Group liquidity risk appetite;
- Stress test the liquidity risks identified on the liquidity risk register; and
- Stress test results are used to inform the liquidity risk appetite and contingency funding requirements.

11 Remuneration Code Disclosure

11.1 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 responsible for determining the Remuneration Policy for all executive directors, the chairman, other members of executive management, the Company Secretary and all other staff who are deemed to be 'Material Risk Takers' or 'Identified Staff'. The policy is determined with due regard to the interests of the Company, the shareholders and the Group. No individual plays a part in any discussion about his or her own remuneration.

The performance measurement of the Directors and key members of senior management and the determination of their annual remuneration packages is also undertaken by the Committee.

For individuals below Director level there is a sub-committee for the review of individual remuneration outcomes consisting of the Chief Executive Officer, Chief People Officer and Group Risk and Compliance Director, which reports to the Committee on its decisions.

The Committee also ensures that the remuneration relationship between the 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 the Committee.

The Remuneration Committee is governed by formal Terms of Reference, which are reviewed annually. It is comprised of at least three independent non-executive directors and the non-executive chairman of the Group. There were five scheduled meetings during the year and additional ad hoc meetings where required.

During the year the Committee received independent remuneration advice from Deloitte LLP.

11.2 Remuneration policy

Our Remuneration Policy is designed to ensure that remuneration supports the Company's strategic objectives, is appropriately positioned against the external market, provides sufficient control mechanisms to ensure that remuneration is appropriately risk-adjusted, and provides fair rewards which will attract, retain and motivate individuals of the calibre required to run a group of the scale and complexity of Hargreaves Lansdown.

Remuneration packages are comprised of the following elements:

- Base salary - reflects the individual's responsibilities, experience and contribution.
- Pension - provides adequate pension saving arrangements for Directors and staff.
- Benefits - an 'across the board' benefits package is available both to Directors and staff.
- Annual Performance Bonus - rewards achievement of the Group's business plan, key performance indicators and an individual's personal contribution.
- Fund Manager Performance Bonus - rewards our fund managers based on a combination of fund/team performance, Group performance and the individual's personal contribution.
- Sustained Performance Plan - long term incentive plan which enables us to reward our Directors over the long-term. Vesting of awards is subject to specific financial and non-financial performance underpins.

11.3 Design of variable remuneration

Annual Performance Bonus

The level of Annual Performance Bonus payable to directors (including both executive directors and other directors), is assessed against a combination of financial/growth measures, client service measures, strategic objectives and individual objectives over a one-year period. There is no prescribed weighting of particular metrics, but financial performance is central to the decision-making process.

Group performance has been considered in relation to the following measures:

Growth measures	Client Service measures	Strategic measures
Net New Business	Net Promoter Score	Developing client service
Net New Clients	Client retention	Developing capabilities
Profit Before Tax	Client Service Measure	Business efficiency

In assessing the overall performance outcome, the Remuneration Committee will use its judgement to consider:

- 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 rewards 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 in the context of shareholder experience.

40% of the Annual Performance Bonus is subject to compulsory deferral into nil cost options over Hargreaves Lansdown shares which vest after three years. Dividend alternatives will accrue on deferred awards and will be paid at the time of vesting.

Any unvested deferred awards are subject to a formal malus mechanism up to the point of vesting. The non-deferred element of bonus awards are subject to clawback for three years from the date of award.

The remainder of the Material Risk Takers who are employees of the Group may be paid a discretionary bonus for each financial year, with no element of deferral. The same criteria are used as listed above for determining the overall size of the bonus pool. Bonuses are then allocated to individuals in line with a bonus matrix reflecting their role level and performance rating.

Bonus payments are non-pensionable.

11.5 Long-term incentives

A new Sustained Performance Plan was approved by shareholders at the AGM in October 2017 whereby Directors are annually awarded conditional nil cost options, subject to underpinning performance conditions measured over five years. The conditions are as follows:

- Requirement for average assets under administration for the last complete financial year prior to vesting to be above the average assets under administration 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.

Any unvested award is subject to a formal malus mechanism.

The Committee is of the view that conditional awards of nil-cost options strongly align interests of the Directors with shareholders and ensure true pay for performance.

11.6 Quantitative remuneration information

In the performance year ending 30 June 2018, there were 59 Material Risk Takers, a reduction of 19 from 2017 following a review of Material Risk Taker identification criteria. In total, Material Risk Takers received aggregate remuneration of £18,797,000 for the performance year ending 30 June 2018 (2017 – £18,320,000).

This figure is split between Senior Management and other Material Risk Takers as follows: 10 members of Senior Management received total remuneration of £11,043,000 and 49 other Material Risk Takers received total remuneration of £7,754,000.