

# TERMS OF REFERENCE

## RISK COMMITTEE

### Hargreaves Lansdown plc (the Company)

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#### 1 Purpose

The purpose of the Risk 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.

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#### 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.

##### General risk management

- 2.1 Consider and advise the Board on an appropriate overall risk appetite, tolerance and strategy for the Group, 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 (FCA) and other authoritative sources that may be relevant for the Group's risk policies. The Committee shall receive regular reporting against the Group's risk appetite and periodically review specific areas by reference to strategic developments. In doing so, it shall have regard to the Group's strategic objectives, culture and defined behaviours.
- 2.2 On an annual basis ensure that a robust assessment of the emerging and principal risks facing the Group takes place (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks.
- 2.3 Oversee and advise the Board on the current risk exposures of the Group and future risk strategy, having regard to the Group's strategic objectives, culture and defined behaviours.
- 2.4 Ensure that risk management is properly considered in Board decisions.
- 2.5 Review the relationship the Group has with its regulator and any significant reports which the regulator issues in respect of the Group's activities.
- 2.6 In relation to the assessment of risk and in conjunction with the Audit Committee:
  - 2.6.1 keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - 2.6.2 regularly review and approve the parameters used in these measures and the methodology adopted having regard to the Group's strategic objectives, culture and defined behaviours; and
  - 2.6.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 2.7 Review the Group's capability to identify and manage new risk types.
- 2.8 Keep under review the Group's business continuity plans.

##### Oversight of internal risk function

- 2.9 In conjunction with the Audit Committee:
  - 2.9.1 keep under review the effectiveness of the Group's internal controls and risk management systems understanding how these affect the risk profile of the business; and
  - 2.9.2 Review and approve the disclosures and statements in the annual report and accounts relating to risk management.
- 2.10 Consider and approve the remit of the Group's Risk oversight functions 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 functions has adequate independence and is free from management and other restrictions.

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<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

- 2.11 Consider the adequacy and effectiveness of the technology infrastructure supporting the risk management framework.

### Compliance and fraud

- 2.12 Oversee the effectiveness of the risk management procedures to comply with GDPR.
- 2.13 Review periodic reports from the Chief Information Security Officer (CISO) on IT security and the cyber risk control environment.
- 2.14 Review periodic reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Group's system and controls in respect of Anti-Money Laundering and the prevention of bribery.
- 2.15 Review the Group's procedures for detecting fraud.
- 2.16 Review and approve a report from the Hargreaves Lansdown Fund Managers Ltd (HLFM) Board on compliance with the requirements of AIFMD.

### Remuneration & risk

- 2.17 Provide qualitative and quantitative advice to the Remuneration Committee on risk considerations to be applied to performance objectives incorporated in executive remuneration.
- 2.18 Monitor the Group's remuneration schemes and their impact on the risk profile of the business.

### Capital adequacy

- 2.19 Review and approve the Group's Internal Capital Adequacy Assessment Process ("ICAAP") or other regulatory equivalents which apply to the Group including the amount of surplus regulatory capital that should be held commensurate with the Group's risk profile and regulatory obligations, prior to submission to the Board for final approval.

### Transactions and events

- 2.20 Advise the Board on proposed strategic transactions including material acquisitions and 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 Group, and taking independent external advice where appropriate and available.
- 2.21 Review all material adverse crystallisation of risks (including those involving breaches of the Group's procedures), including root cause analysis and making recommendations for future improvements of the Group's risk management system.

### Chief Risk Officer (CRO)

- 2.22 Recommend to the Board the appointment and/or removal of the CRO.
- 2.23 Review all reports on the Group from the CRO presented to the Committee and monitor the response of executive management to the CRO's findings and recommendations.
- 2.24 Ensure the CRO shall be given the right of unfettered direct access to the Chair of the Board and to the Committee.
- 2.25 Work and liaise as necessary with all other Board Committees, where their work has risk management implications.

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## 3 Reporting responsibilities

- 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 and report on any other issues on which the Board has requested the opinion of the Committee.
- 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.
- 3.3 The Committee shall produce an annual report of its activities to be included in the Company's Annual Report and Financial Statements. The report should include the Company's Risk Management Framework & Strategy.
- 3.4 The Committee shall make these terms of reference available to shareholders by placing them on the Company's website.
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<b>4 Membership</b>	<p>4.1 The Committee shall comprise at least three members. The activities of the Committee should involve participation by the Chair of the Audit Committee. A majority of members of the Committee shall be independent Non-Executive Directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chair. The Chair of the Board shall not be a member of the Committee.</p> <p>4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Chair of the Board, Chief Executive Officer, other directors, other representatives of the Risk function, Compliance, Head of Internal Audit and the External Auditor may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or Committee. The Chief Financial Officer (CFO) and the Chief Risk Officer shall be in attendance at all meetings.</p> <p>4.3 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>4.4 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 border="0"> <tr> <td data-bbox="464 730 624 752">Shirley Garrood</td> <td data-bbox="775 730 1190 752">Committee Chair, non-executive director</td> </tr> <tr> <td data-bbox="464 763 612 786">Andrea Blance</td> <td data-bbox="775 763 1011 786">Non-executive director</td> </tr> <tr> <td data-bbox="464 797 619 819">Moni Mannings</td> <td data-bbox="775 797 1011 819">Non-executive director</td> </tr> <tr> <td data-bbox="464 831 564 853">Dan Olley</td> <td data-bbox="775 831 1011 853">Non-executive director</td> </tr> <tr> <td data-bbox="464 864 596 887">Roger Perkin</td> <td data-bbox="775 864 1011 887">Non-executive director</td> </tr> <tr> <td data-bbox="464 898 596 920">John Troiano</td> <td data-bbox="775 898 1011 920">Non-executive director</td> </tr> </table> <p><b>5.2 Attendees</b></p> <p>Chair of the Board  Chief Financial Officer  Chief Risk Officer  Group Director of Risk and Compliance  Head of Internal Audit</p>	Shirley Garrood	Committee Chair, non-executive director	Andrea Blance	Non-executive director	Moni Mannings	Non-executive director	Dan Olley	Non-executive director	Roger Perkin	Non-executive director	John Troiano	Non-executive director
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<b>6 Secretary</b>	<p>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.</p>												
<b>7 Quorum</b>	<p>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.</p>												
<b>8 Meeting frequency</b>	<p>The Committee shall meet at least four times a year and otherwise as may be necessary.</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 the CRO.</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 UK Corporate Governance Code and the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules as well as any other applicable rules, as appropriate.</p> <p>12.4 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>	<p>The Committee Chair should attend the Annual General Meeting ('AGM') of the Company to respond to any questions from shareholders on the Committee's activities.</p>
<b>14 Amendments</b>	<p>Amendments to these terms of reference require the approval of the Board.</p>
<b>15 Date of last amendment</b>	<p>29 January 2020, approved by the Board.</p>