Report and Financial Statements 2020

CLIENT FOCUS RESILIENT GROWTH

HARGREAVES LANSDOWN

OUR CLIENT FOCUS DRIVES OUR GROWTH, MAKING US A STRONGER, MORE RESILIENT BUSINESS

Why us?

At Hargreaves Lansdown client experience is our obsession. We want to build long-term client relationships, helping people to secure better financial futures for themselves and their families. Our culture, values and governance ensure we keep our clients at the heart of all we do and this drives sustainable growth which benefits all.

Our purpose

Our purpose is to 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 their needs to evolve our service and investment solutions in order to bring greater prosperity throughout every stage of their life.

Who we are

We are the UK's largest direct to investor investment service. For nearly 40 years, we have helped clients save time, tax and money on their investments. Today we are trusted with more than £104 billion by 1,412,000 clients. We are a secure, FTSE 100 company, headquartered in Bristol employing over 1,600 people.

What we do

As a nation we need to build a stronger culture of saving, which will bring long-term benefits to individuals and society as a whole. 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.

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How we're driving value.

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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 ensures we can 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 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 recurring revenues gives high quality earnings which quickly turn to cash. This enables us to pay significant dividends whilst reinvesting to drive further sustainable growth.

2020 highlights

£7.7BN
2019: £7.3BN
Net new business in the year

188,000
2019: 133,000
Net new active clients in the year

£378.3M
2019: £305.8M
Profit before tax

£104.0BN
2019: £99.3BN
Total assets under administration

1,412,000
2019: 1,224,000
Total active clients

BUSINESS MODEL

CLIENT 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 18: Our strategy and KPIs
Measuring our strategic progress.

Pg 32: Our financial performance
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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.

Growth Cycle

Economics

Value creation

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.

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.

73% of these revenues are recurring 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 of over 60%.

Profits and dividends

Our high quality revenues 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 then pay significant dividends to our shareholders.

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.

DELIVERING FOR STAKEHOLDERS

By way of introduction for our 2020 Report and Financial Statements, what a year this has been. Relentless, tough, unexpected, eventful are just some of the words that spring to mind. A year that saw global economic disruption and political uncertainty, a general election, the UK depart the EU and the unprecedented challenges of COVID-19.

HARGREAVES LANSDOWN VALUES

1. We put the client first
2. We go the extra mile
3. We do the right thing
4. We make it easy
5. We do it better

These are the type of conditions that distinguish winners from losers within a competitive set. Those companies that have the right business model and strategy, guided by a sustainable purpose and culture, are increasingly those that are delivering outstanding outcomes for all their stakeholders.

In 2020, Hargreaves Lansdown won on many fronts. The results speak for themselves. We delivered record growth and record profits for shareholders whilst being there for our clients through it all. We have not had to seek government assistance, nor have we had to furlough any employees or enact any redundancies.

These results did not come by accident.

Hargreaves Lansdown's strategy is focused around the client. Over the last three years, this has seen us extend our proposition, deepen our marketing capabilities and deliberately build greater operational resilience and servicing capacity. These were all key to our success in 2020.

Our colleagues stepped up, collaborated and embraced new ways of working regardless of their personal circumstances. Colleague commitment, resilience and dedication never cease to amaze me and were integral to the results we delivered. And for that effort, particularly in times of challenge, the Board extends its appreciation and admiration.

We have also worked hard to support our local community in Bristol through a range of programmes and charitable donations. For example, we have seconded five of our colleagues to the Local Enterprise Partnership (LEP) to play a leading role in their project aiming to drive economic recovery in the region.

A long-term sustainable business must engage and deliver for all of its diverse range of stakeholders. I am proud to see how HL responded in 2020 and what it achieved for its clients, colleagues, community and shareholders in these uncertain times. I am sure we can and will build on these foundations in the years to come.

Corporate Governance Code and stakeholder engagement

This is the first year that the 2018 UK Corporate Governance Code (the Code) has applied to Hargreaves Lansdown. Confirmation of how we have complied with the Code for the year under review is set out on page 54.

Constructive, transparent and open engagement with our stakeholders outside of the boardroom forms a critical aspect of Board-level activity. On pages 113 to 115 we present our first S172 statement which sets out our consideration of our key stakeholders in our decision making. In addition, on pages 30 to 31 you can see specific examples of how we engaged with, the key topics raised and how we responded with a range of our key stakeholders across the year.

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. We have demonstrated our operational resilience and our client obsession but we need to ensure that this is retained as we grow so that we can thrive at scale. Some of the changes made this year are specifically aimed to ensure we can deliver the best outcomes for our clients as we continue to grow, along with continued progress on our client focused strategy.

Following on from the high profile Woodford Equity Income Fund suspension in June 2019, we said we would reflect and learn and implement any necessary changes to improve our governance and oversight. We subsequently undertook a detailed external review of our governance framework relating to our investment processes. As a result we have made changes such as establishing a separate Executive Investment Committee to oversee decision making at Hargreaves Lansdown Fund Managers Limited; separating out any potential for conflict arising with respect to the selection of funds on our Wealth Shortlist and those in Hargreaves Lansdown Funds and establishing or enhancing committees to deal with potential Conflicts, Distribution of Investments and Product Governance. These changes were all in place prior to the launch of our new Wealth Shortlist on 30 June 2020 and we shall review how they are working and make any necessary changes if required. More on these governance changes and the new structure can be found on page 55.

The Board's composition and diversity is regularly reviewed and we are committed to ensuring we have the right balance of skills and experience within the Board. In August,

> In 2020, Hargreaves Lansdown won on many fronts. The results speak for themselves. We delivered record growth and record profits for shareholders.

Deanna Oppenheimer
Chair

Jayne Styles informed us that she was going to step down at the 2019 AGM to devote more time to her executive career. Jayne was on the Board for four years and we thank her for her service over this period.

My thanks to both Stephen Robertson and Fiona Clutterbuck who will be stepping down from the Board at our upcoming AGM. Stephen will have been on the Board for nine years, as well as serving on many of our Committees. He brought us considerable client experience and I have always enjoyed how he contributed to our discussions with both good humour and sharp insight. As Chair of our Remuneration Committee, Fiona, who is leaving for other professional commitments, has made an invaluable contribution in overseeing improvements to the process and structure for remuneration at all levels throughout the organisation. It has been a pleasure to work with Stephen and Fiona and, on behalf of the Company, I would like to express my sincere gratitude to each of them for their dedication and contribution to the Group.

During 2019, we commenced a search for a new Non-Executive Director with expertise in financial services and investments. A rigorous selection process was undertaken and with effect from 1 January 2020 I was delighted to confirm the appointment of John Troiano as an Independent Non-Executive Director of Hargreaves Lansdown plc. John also joined the Group Board Risk Committee and the Hargreaves Lansdown Fund Managers Board where he will provide further independent challenge and oversight. John brings global asset management and investment experience, adding further breadth to the knowledge base and skills of the Group Board, which reflects the ongoing focus we have in ensuring strong governance.

As at the date of this report, we are in the advanced stages of recruiting up to two additional independent Non-Executive Directors, with the aim of building resilience into and aligning the Board's skillset to the future strategic needs of the Group's business. The recommendations of the Hampton-Alexander and Parker reviews are being closely considered as part of the recruitment process, and we hope to be in a position to announce the outcome early in the new financial year.

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 26.3p per share. In addition, the Board has today declared a special dividend of 17.4p per share.

An interim ordinary dividend of 11.2p per share was paid on 9 March 2020. Taking this into account, the total ordinary dividend for the year will be 37.5p per share (2019: 33.7p), an increase of 11% on last year. Adding the special dividend gives a total dividend of 54.9p per share (2019: 42.0p), an increase for 2020 of 31%.

Subject to shareholder approval of the final dividend at the AGM to be held on Thursday 8 October 2020, the final and special dividends will be paid on 16 October 2020 to all shareholders on the register at the close of business on 25 September 2020.

Looking forward

Many people spend a lot of time considering the future and attempting to predict it. What the impacts of COVID-19 on the UK economy might be, or Brexit. When we can see family and friends again. Or even colleagues.

The Board believes that whatever happens, Hargreaves Lansdown is well positioned to manage the short-term challenges that may lie ahead and we face the long term-future with confidence.

The need for individuals and families to save and invest for their financial futures remains as strong as ever. We have an already significant addressable UK market opportunity that will only grow further. Our client focused strategy and drive to improve operational resilience have been proven by the events of 2020. We will continue to pursue these and further improve the client experience to deliver growth.

I am excited about the journey ahead and I believe we have the right culture, values and governance in place to meet the long-term needs of our clients and create further value for all our stakeholders.

Deanna Oppenheimer
Chair

6 August 2020

GROWTH THROUGH CHALLENGE AND CHANGE

2020 has been a significant year for Hargreaves Lansdown and I am pleased at how we have continued to execute our strategy and provide support for our clients in an external environment of persistent challenge.

In hard times there are challenges for all of us as individuals, clients and colleagues. I would like to take this opportunity to thank our clients for their resilience and continued support and my colleagues for their hard work, commitment and ingenuity in managing the tremendous change that COVID-19 has brought in the midst of our busiest time of year. Despite the personal upheaval we have all experienced, it has been inspiring to see the support we have provided to our clients and it is through their performance that we have been able to deliver strong outcomes for all our stakeholders.

The first half of the year was characterised by political uncertainty around Brexit and trade wars. At the time, we were confident that any certainty provided by the election result would improve investor confidence and lead to a strong performance through the second half. Our thinking was confirmed over the rest of the year where, despite the unforeseen ongoing pandemic and the significant challenge this has brought to the world, HL has delivered a performance of great strength.

The benefits of putting our clients at the heart of everything we do combined with our investment in the scalability, diversity and resilience of HL's business model, have been demonstrated in its response to the COVID-19 crisis. At the same time we have completed significant strategic initiatives including launching our new Wealth Shortlist, delivering our first multi-channel advertising campaign as well as completing further work to enhance governance, scalability and resilience in our service to clients.

Building resilience over the long term

I believe that the acute challenges of this year have reinforced the importance of resilience for us all. Clients must have confidence in HL's ability to remain secure and provide the best service to them. But clients must also build resilience into their savings and investments to enable themselves to be confident to manage through difficult periods and events.

At Hargreaves Lansdown we have a very strong purpose: to empower our clients to save and invest with confidence over the long-term; and this is supported by a culture and values that are focused on helping our clients in the right ways to deliver the best outcomes for them. We recognise how complex the UK wealth landscape has become and the challenge this brings to serve clients. Financial requirements are becoming increasingly complicated: as people live longer, as long-term saving obligations move from companies to individuals and the low interest rate environment persists with added volatility and uncertainty; people need support.

The tools, knowledge and insight that we provide as part of our service, equip and empower our clients to manage their savings and investments. Diversification is a key part of building resilience into a portfolio and our proposition offers clients the opportunity to save and invest across a spectrum of asset classes, including in cash with Active Savings.

HL's role as a lifelong partner for clients is growing and we will continue to develop our proposition, capabilities and digital technology to provide an experience for clients that is appropriate to their evolving lifetime savings and investment needs. Our connectivity with our clients means we can evolve to meet their needs, especially as the external environment continues to change rapidly.

Our response to COVID-19

This culture and focus on our clients guided our swift response to the COVID-19 pandemic. Our immediate priorities were ensuring the safety and well-being of colleagues whilst maintaining the core services that our clients rely on. This included moving the majority of colleagues to work from home whilst swiftly implementing effective social distancing across three sites for those colleagues who needed to be in the office.

It is through the investment we have made in our service and technology over the past few years that we were able to ensure both the resilience and scalability of HL over this period and to react to the situation with agility.

As a result we were able to continue to deliver the service that our clients needed during this time and manage the record volumes of client activity. We also provided critical insight and information on matters that they were concerned about.

In keeping with our own expectations of our role in the community in which we live we also provided support to our local

> The benefits of our investment in the scalability, diversity and resilience of HL's business model has been validated by its response to the COVID-19 crisis.

Chris Hill
Chief Executive Officer

community. More detail on our response to COVID-19 for key stakeholders is outlined in the CSR section of this report on page 49.

Keeping close to clients

Our client service and client outcome based strategy is underpinned by an unrelenting focus on understanding our clients' needs, a critical part of which comes from using the insight that we get from their interactions with us. As we act on this insight, and provide a service that serves to retain clients, we build a lifelong relationship that further enhances our ability to tailor their engagement and our service in the most appropriate ways for them.

This focus was key to our service response to COVID-19 as mentioned above. We used the intelligence provided through our phone and email contact together with observing the activity on the mobile and web platforms to study carefully what clients needed and we reacted as a result. We maintained the Helpdesk phone lines throughout and put additional measures in place to increase our email response rate in line with client contact. We also introduced new measures to support our vulnerable clients including increased information on fraud risk and a specific phone line to provide them with further support.

We made proactive decisions to stop and then swiftly to adjust our marketing to ensure that the messages were appropriate, and paused other initiatives such as the Wealth Shortlist so that our clients were getting the right focus and attention when they needed it most. As the crisis developed we concentrated on what content clients were engaging with online and identified where they needed insight. The top 10 articles our research team posted were read up to three times as much as the top 10 last year with over double the number of non-client visitors to the website using these resources.

We recognise that, through the intensive scale of client interaction on our mobile and online platforms, and through calls and emails to the Helpdesk, we gain huge insight and understanding. This allows us to focus on what savers and investors specifically need and then work to deliver this. Across the year, digital visits increased by 41% from 177 million (FY19) to 249 million in FY20. We received unprecedented volumes of emails into the Helpdesk between April and June alone and have continued to see consistently high volumes of calls throughout this time.

We have also developed our digital and mobile capability in response to changes in how clients want to interact with us. The popularity of our mobile app continues to significantly grow and represents an increasingly important feature for our clients. Of the 1.2 million clients who logged in online, 43% did so through the app whilst 33% of online client initiated share trades came via the apps, more than double last year. Developing digital capabilities further remains a priority for us and it is important that we remain agile and are continually anticipating and responding to changes.

Developing our proposition

We recognise the need to constantly develop and improve our offering to ensure we are delivering what our clients need. At the same time, as a leading financial services company we have a responsibility to play a key part in setting industry standards. As such it was essential that we learnt from the experience surrounding the Woodford issue last year.

We undertook significant work to review the governance framework relating to the investment processes across the business and conducted extensive research with our clients. Changes were implemented and incorporated in the launch of the Wealth Shortlist in June 2020. This new list incorporates new functionality, search tools and a more structured view of our research to provide clients with all the key information they need to make investment decisions, in a transparent and easy to use format.

The extensive research included interactions with over 8,000 clients, with surveys, face to face interviews and a deep dive into the additional insights we have gained in how clients use our platform. The end result directly reflects what our clients told us about how they use the list and what they wanted to see.

As part of this process, we also launched new fund tools and updates which make navigating the funds available through our platform more transparent and easier than ever before.

CHIEF EXECUTIVE OFFICER'S REVIEW
DELIVERING THROUGH CHALLENGE

These changes have been underpinned by changes to governance processes to raise the level of rigour and challenge to decisions that we make. These developments will ensure that not only our Wealth Shortlist and Fund Finder tool, but also future investment propositions and wider developments, will also have a robust, thorough and transparent governance structure behind them. We recognise how evolving the role of governance provides additional rigour and challenge to our decisions and results in better outcomes.

Executing our strategy

We welcomed a record 188,000 net new clients during the year, bringing total active clients to over 1.4 million and supported £7.7 billion of net new business, another record.

The importance of our own resilience and diversification is demonstrated in our growth with the volume of client driven share deals up 96% and revenue from share dealing up 94% and Active Savings now used by 66,000 clients with £2.2 billion of AUA.

Through the market volatility of early 2020, we have maintained our position as the market leader with our share of the direct to consumer platform market at 41.1%[1], and seen a significant increase in our share of the execution only stockbroking market rising to 39.5%[2].

In the lead up to tax year end we delivered our first multi-channel advertising campaign 'Switch your Money ON'. This was an opportunity to deliver a creative proposition with both immediacy and the long-term potential to deliver other HL messages, whilst building the HL brand. Over 12 million of our target audience viewed advertisements in the period, including adverts seen over 304 million times. We focused on reinforcing our position as a leading ISA provider as we approached tax year end, highlighting our scale and service credentials and this approach delivered significant results with both brand awareness and consideration.

Compared to a few years ago, we are now seeing more clients who, on average, are joining HL at younger ages and the way they interact has shifted with more interest in mobile and access to new asset classes through our Active Savings products. Client needs adapt and evolve over time depending on knowledge, experience and circumstances and our agility in adapting and responding is driven by our proposition and service.

In order to rise to this challenge, we recognise the importance of continuing to develop more digital and connected technology. We continue to invest into our range of capabilities because these are what enable us to develop and deliver a broad proposition, offering not only choice and flexibility but solutions across a diverse range of asset classes. These solutions are supported by an evolving set of tools, expertise and service that enable clients to engage giving them confidence to take control and be resilient in managing their savings and investments for the long term. In return, these clients concentrate their investments and cash savings with us, and work to their financial goals over their lifetimes, continuing to save their annual allowances and investing for the long term.

In February, we completed the sale of FundsLibrary, our data management and digital services business, to Broadridge Financial Solutions Inc. The decision to sell reflected our view that, as a business to business service, it was no longer core to our overall strategy, and the proceeds received from this will be used to enhance the total dividend payment for this year.

Conclusion and outlook

Over the next few years, the wealth industry will continue to develop in response to the changing requirements and challenges that people have in saving and investing alongside the pressing demands of everyday life. With our scale, insight and deep understanding of client needs we will continue to be at the forefront of responding to change and evolving our proposition to the benefit of clients. We are already seeing an evolution of our service supporting clients from younger ages and across broader investment and savings options. As we continue to evolve our proposition to reflect changing client needs, that trend will continue to grow in importance.

The Financial Conduct Authority has acknowledged the importance of people's engagement with managing their financial futures and, after the past few years of significant regulatory change, there has been a growing focus on steering future regulation to one based upon outcomes. We are supportive of this regulatory direction of travel and will continue to work with the Financial Conduct Authority as the industry evolves to design and deliver these outcomes responsibly.

The experience of this year has reinforced the importance of our service-focused strategy and demonstrated its effectiveness with a very strong performance delivered through a range of difficult conditions. This gives us confidence to look ahead and invest in addressing the significant market opportunity. We will maintain our focus on skills, capabilities and technologies as this is critical in developing the lifelong client relationships which help drive future growth. Our scale and a strong market position together with a robust balance sheet and cash flows will enable us to continue delivering value to all of our stakeholders over the long term.

In the near term the UK economy faces a period of uncertainty as we work through the many issues arising from COVID-19. Unemployment levels have increased significantly whilst economic growth has decreased. The government has borrowed vast amounts to help the economy and society but the road to recovery could be a long one with various tax implications along the way.

The impact on our clients and the wider investment community as a result is difficult to call. Interest rates are at all-time lows, which makes cash savings unappealing, but market uncertainty and volatility can equally deter people from investing and access to liquidity is a key part of building financial resilience. However, our focus on clients, the trusted relationships we have with them and the investment we have made to broaden and strengthen our proposition, means Hargreaves Lansdown is strongly positioned to help our clients navigate through these difficult times. We are clear in the structural growth opportunity, clear in our strategy and business model and these provide us with confidence in our ability to deliver sustainable and attractive growth and returns beyond the immediate uncertainties.

Chris Hill
Chief Executive Officer

6 August 2020

1 Platforum UK D2C Market Update, July 2020
2 Compeer Limited XO Quarterly Benchmarking Report Q1 2020

RESILIENT IN TESTING TIMES

Operational resilience – in testing times

COVID-19 presented unprecedented challenges and at our busiest time of the year – tax year end. It tested our culture, colleagues and processes and our overall operational resilience.

We promptly mobilised 85% of our colleagues to work from home and we supported our clients throughout by safeguarding the services that were most important to them across as many channels as possible – online, telephone, post or via the mobile app.

We increased the number of colleagues on our phone lines to assist those clients who can't self-serve online and needed to speak to us. On the last day of the tax year the longest wait time to speak to someone on our Helpdesk was 17 seconds. In the last hour of the tax year, a HL Stocks and Share ISA was topped up or opened every seven seconds. The last online application was processed at 11:59pm.

In times of challenge HL's values remain the same – we put the client first and we go the extra mile.

"Great customer service, precise, polite and extremely helpful in extremely difficult circumstances during COVID-19. I wish every company I deal with would have employees like yours."
Mr Lelliott, Essex

MARKET OPPORTUNITIES

SUPPORTING CLIENTS THROUGHOUT THEIR LIVES

Our proposition and service is designed to help clients of all ages navigate the complexities of investing and saving and to achieve their financial objectives.

Society's challenge

The UK currently faces significant challenges in terms of engagement with saving and investing. As a nation, much work needs to be done to address these challenges and develop a stronger culture and more confident attitude to saving and investing, which will bring long-term benefits to society as a whole.

The Savings Gap – the gap between retirement expectations and the cost of funding such expectations – is estimated at £314 billion[1]. 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.

The Advice 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.

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

Within the UK, investors have a wide range of financial awareness. Some are confident but face ever increasing complexities from regulation, choice and technology. Others are less financially aware and need more help in beginning their journey into savings and investment. Hargreaves Lansdown is well placed with its expertise and expanding capabilities to help existing and new clients navigate through this minefield of complexity, providing appropriate products and solutions for the young through to those at and in retirement. Hargreaves Lansdown firmly believes that the government has a role to play through improving financial education, addressing the savings gap and by empowering companies like us through proportionate regulation to help provide the solutions and education.

Client segmentation

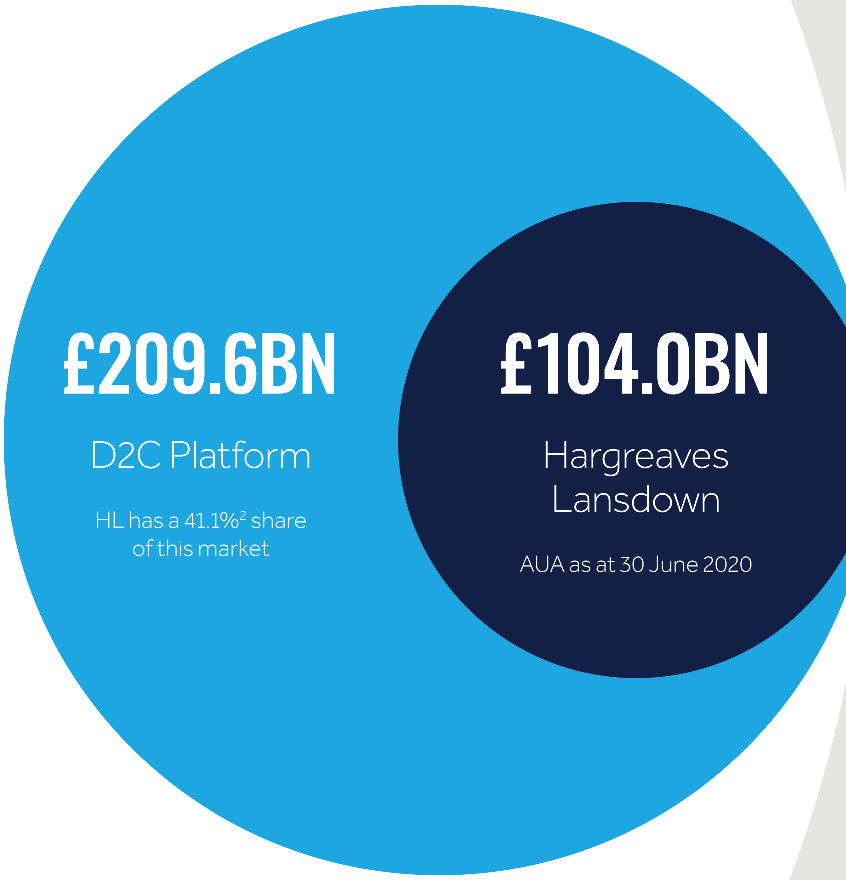
Given wealth	Starting independent life	Saving for the future	At retirement	In retirement	Later life
Junior ISA	**Lifetime ISA**		**Drawdown** Helping clients understand and manage income via new income tools		
	Pensions Helping clients save for their future retirement				
	Workplace Workplace Solutions for auto-enrolled and corporate investors				
		ISAs A tax efficient means of saving			
		General Investment Accounts Enabling investment outside of a pension or ISA tax wrapper			
Investment solutions Simply Invest helps people get started / Portfolio+ for less confident investors / Wealth Shortlist selection for investors who wish to choose their own funds					
Active Savings Providing one-stop cash solutions via active savings					
Advice					

OPPORTUNITY FOR GROWTH

Significant addressable market undergoing structural change
- People are living longer
- Shift of wealth to older clients
- Complex savings environment
- Ongoing low asset yields
- Market volatility
- Political uncertainty

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



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ADDRESSABLE MARKET OF WEALTH + CASH[3]

1 Source: "Mind the Gap" (Aviva and Deloitte, September 2016)
2 Platforum UK D2C Market Update, July 2020
3 Oliver Wyman. Addressable wealth includes self-directed, financial adviser and independent wealth manager segments mainly serving upper affluent.

MARKET OPPORTUNITIES
SUPPORTING CLIENTS THROUGHOUT THEIR LIVES

Addressable market

The UK private wealth market is estimated at c£1.6 trillion, of which we see c£1.0 trillion as addressable, giving an implied market share for Hargreaves Lansdown of about 10%. Outside the Direct-to-Consumer (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 £1.0 trillion is concentrated across around 7 million people with £100,000 or more of investments (source: ONS). Within this population there are key segments for us 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 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.

Transfers in from across the wealth market spectrum show our wide appeal to investors who currently hold assets elsewhere.

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 of which Hargreaves Lansdown has a 41.1%[1] market share.

Significant other shares of the D2C market include £313.8[2] billion held by pension and insurance providers and £72.0 billion[2] held by wealth managers in execution only assets, both of which provide a source of transfer business to Hargreaves Lansdown.

Industry expert, Platforum, also estimates that £32.1 billion[2] is held directly with asset managers who are increasingly realising that they are not set up to service direct retail customers. This provides a source of transfers or an opportunity to acquire the entire direct books from fund management groups. During the first part of the year, we completed the acquisition of direct books from J.P. Morgan Asset Management and Baillie Gifford. This took the total number of such acquisitions to nine having previously completed deals with the likes of Jupiter, Legg Mason and BlackRock. We continue to pursue similar deals working with fund groups and the FCA to ensure affected clients can be transitioned effectively to a superior and more engaging service such as ours.

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 certain issue or to ensure that investment plans are on track. Hargreaves Lansdown, with around 92 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.

Market development

ISAs

The markets for the Group's products and services continue to evolve as individuals' savings and investment needs respond to the changing regulatory and market environment. With the lowest interest rates on record, Stocks and Shares ISAs remain attractive and we have seen significant transfers in from cash ISAs held with banks.

The current ISA allowance of £20,000 provides additional 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.

With the threat of further changes to the pension rules, the ISA increasingly becomes a long-term investment plan for many and hence provides a significant opportunity for new business flows. According to HMRC, as at 5 April 2019, the Stocks and Shares ISA market was estimated at £314 billion with an additional £270 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 four tax years has been c£69 billion. These statistics clearly demonstrate a significant opportunity to gather more assets into our core ISA products.

Lifetime ISA

In April 2017, the Lifetime ISA (LISA) was launched. This is open to UK citizens between the ages of 18 and 40 and any savings added to the LISA before their 50th birthday will receive an added 25% bonus from the government. The savings allowance is capped at £4,000 per annum and can be used towards a deposit on a first home worth up to £450,000 or towards saving for retirement, whereby, after their 60th birthday individuals can withdraw all the savings free of tax.

Hargreaves Lansdown was one of only three platforms that offered the LISA at its launch and by 30 June 2020 we have over 66,000 accounts with £569 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 for 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.

Although it is relatively early days for this new type of ISA, it could provide fresh impetus for adults to boost their long-term savings and for others to start saving for the first time using risk-based investments rather than cash.

Junior ISA
Since their introduction in November 2011, Junior ISAs have proved popular and Hargreaves Lansdown is now the largest provider of Stocks and Shares Junior ISAs, with an estimated 33% market share by value as at 5 April 2019 (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.

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. In 2019, £57.9 billion flowed into private sector pension schemes. Minimum contribution levels have now increased as planned, with legislation to enrol employees from age 18 and from the first pound they earn expected in the middle of this decade.

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.

There are still some nine million employees who have not been auto-enrolled due to not being eligible and many of these should be enjoying the benefit of employer contributions into a workplace pension.

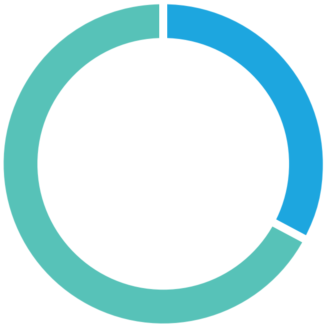
Self-employment is more common than it was when auto-enrolment was first introduced; there are now nearly five million self-employed workers in the UK and very few of them are saving in a pension. The majority pass through employment before becoming self-employed. However, there are few mechanisms in place to keep them in the pension system as they move from employed to self-employed. In addition, every time someone changes their job, they will be enrolled into a new pension, which over time will lead to millions more pension accounts than are necessary. This recurring auto-enrolment process is highly disruptive for an individual's retirement saving journey. Irrespective of how interested and engaged they are with their pension, whenever they change jobs, they are forced to suspend their existing pension and start a new one if they want to benefit from their employer's pension contributions. To avoid this we believe that an individual who has an existing auto-enrolment pension from a previous employment or who wishes to make an active choice regarding their pension provider, should have a right to choose that arrangement in preference to being forced to join their new employer's scheme. They should have the right to have their new employer's contributions paid into the pension of their choice, along with any of their own contributions deducted from their salary.

Lifetime ISAs

66,000
accounts by 30 June 2020

£569M
of invested assets

Junior ISA market share



Hargreaves Lansdown	33%
Competitors	67%

1 Platforum UK D2C Market Update, July 2020
2 Platforum UK D2C Market Overview, February 2020

MARKET OPPORTUNITIES
SUPPORTING CLIENTS THROUGHOUT THEIR LIVES

The development of pension dashboards continues and may in time provide individuals with a comprehensive view of all their pensions in one place. Whilst we are actively supportive of this project, we suspect the first iterations to provide basic pension finder services only, lacking the detail to revolutionise planning. In the meantime we continue to collaborate with other industry participants in the development of systems to allow investors to view through a single access point, all their financial assets across a wide range of financial institutions.

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. Better investor engagement with their retirement savings and the decisions they 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.

New retirement regulation from the FCA is being adopted into our processes. Changes to illustrations, wake up packs and annuity disclosures have all been delivered, with work to provide nudges to those in cash and simple investment pathways for those in drawdown due in February 2021. 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 payouts as more clients have qualified for an enhanced annuity.

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 in the coming months we will be launching our initial cash ISA offering.

> As at 30 June 2020, we had over 66,000 clients using the service with over £2.2 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.

MAKING SAVINGS FAIR AND SIMPLE

Savers need solutions
- Poor interest rate information
- Difficult to manage multiple accounts
- Hard to switch providers
- 40% of savers have never switched

Active Savings marketplace
- More consistent returns
- Greater transparency – know the rate and when it expires
- Simple switching: 12 banks, with a range of easy access and term deposit accounts, one easy log in
- Easy for clients to manage cash alongside their investments

1. Easy Access Savings	£650bn
2. Cash ISAs	£270bn
3. Current Accounts	£270bn
4. Notice and Term Deposits	£160bn

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.

Competition

Much is made of the increasingly competitive landscape and indeed, new competitors continue to enter the 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 and this relies on a deep understanding of savers, investors and their needs, which is something we continue to focus on.

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.

During the year to 30 June 2020, HL delivered several major regulatory-driven implementations. The Senior Managers and Certification Regime took effect for HL in December 2019, enhancing the clarity of management responsibilities and improving decision making. In accordance with the Payment Services Directive 2 we introduced enhanced security protocols for clients of our Active Savings and Currency Services. This involved some API infrastructure development which will also help our longer-term Open Finance capability.

In line with the recommendations from the Asset Management Market Study, we have implemented changes to our fund management business, improving our governance and oversight structure and ensuring that all our funds are delivering Value for Money. We continually strive to improve our investment proposition, including making changes where we think this will improve client outcomes and experience.

We successfully delivered the first two phases of the FCA's Retirement Outcome Review remedies ahead of schedule, as they align with our focus on driving client engagement and improving clients' outcomes leading up to, and in retirement. Work continues on the final 'Investment Pathways' element. However, the FCA's COVID-19 related deadline extension, until February 2021, gives us additional time to ensure our high standards for user experience are retained and enhanced as part of our client-focused drawdown proposition.

The FCA has also moved out the deadline for the 'Making Transfers Simpler' work arising from the Platform Market Study to February 2021. Our implementation and vital industry collaboration via the STAR working group is progressing. In last year's Report we highlighted the FCA's discussion on banning platform exit fees – we have continued to engage on this policy although the FCA has deferred consultation until 2021. We nonetheless felt the time was right to remove our own exit fees in September 2019, and look forward to others in our wider market following suit.

HL strives to implement regulatory-driven change in a way that will deliver benefits to clients.

A key part of this is engaging during the policymaking phase. 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 1.4 million clients to inform and influence the debates. During the year we have engaged with the FCA's developing approach on non-workplace pensions; on their assessment of the Financial Advice Market Review and Retail Distribution Review a few years post implementation and on the call for input on Open Finance.

CLIENT FOCUS DRIVES OUR GROWTH

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

We focus on providing an unrivalled and evolving client experience, using it to deepen client relationships so we become an ever more integral part of their lives. In turn this delivers high levels of client retention, client satisfaction and increased use of our services which drives net new business flows from existing and new clients. This provides the engine for financial growth, enabling reinvestment into the client experience whilst generating returns for shareholders.

OUR STRATEGY

Client proposition and engagement

To provide an increasing range of services and solutions to meet the needs of clients

Financial growth

To deliver sustainable returns for shareholders along with reinvestment for future growth

Excellent client service

To efficiently provide a high quality service, across all touchpoints with clients, making their lives easier

OUR AIM

a market leading proposition and service to fulfil the long-term needs of clients.

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 Executive remuneration.

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
The greater the number of new clients, the better the potential for growing AUA.

Principal risks
Strategic, operational, legal and regulatory, conduct.

Progress for the year
- A record year adding 188,000 net new clients.
- Significant marketing and advertising in the second half of the year including a brand awareness campaign and our first ever TV adverts.
- New clients added across our range of accounts and across all demographic segments.

Result
188,000 (2019: 133,000)

Digital visits

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

Principal risks
Strategic, operational, legal and regulatory.

Progress for the year
- Significant uplift in service, market reporting, education and reassurance communications during COVID-19.
- Increased brand awareness through first national TV, press and digital campaign.
- Enhanced functionality of the mobile app including regular investing.

Result
249M (2019: 177m)

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, legal and regulatory, 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 grew 24% on the back of growth in assets and clients and record share dealing volumes.

Result
£378.3M (2019: £305.8m)

Diluted earnings per share (EPS)

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

Principal risks
Strategic, operational, legal and regulatory, financial.

Progress for the year
- The growth in diluted EPS was driven by the breadth and scalability of the business model and continued strategic execution.

Result
65.9P (2019:52.0p)

DEEPENING CLIENT ENGAGEMENT DELIVERS GROWTH

Excellent client service

We have previously included Net Promoter Score℠ (NPS℠) as a KPI, however, it is felt that the best measures for measuring "excellent client service" are client retention rate and net new business. Both these measures are used in assessing the performance of our Executive Directors and their overall remuneration whereas NPS℠ is not. NPS℠ is still monitored along with other client service measures such as net ease scores and client satisfaction but given how it can be impacted by external factors beyond our control it is no longer a KPI.

Client retention rate

Based on the monthly lost number of clients, as a percentage of the opening months' clients and averaging for the year.

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, operational, legal and regulatory, conduct.

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.
- Increased the penetration of Active Savings to over 66,000 clients enabling them to manage their cash savings and investments all in one place.

Result

92.8% (2019: 93.6%)

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, operational, legal and regulatory.

Progress for the year

- Best ever tax year-end for NNB
- Active Savings added £1.2billion across the year
- Increased market share and AUA grew by 5% to £104 billion.

Result

£7.7BN (2019: £7.3bn)

WE LISTEN

WE IMPROVE

Active Savings – listening to clients and developing improvements

Since launching Active Savings, our innovative way to manage cash, we have continuously looked for feedback from clients and partner banks in order to develop and improve the service. In recent months we have:

- Applied for and received our e-money licence meaning clients can now hold money for longer in their hub account before deciding which banks to deposit the money with;
- Launched a "default easy access feature", meaning clients will always earn some interest;
- Created an easier onboarding journey helping clients to open their first savings product and
- Launched a "private offer" feature which allows partner banks to display products only to logged in clients.

Looking forwards we will soon be launching a cash ISA offering and developing our mobile app functionality. Over 66,000 clients already use Active Savings holding more than £2.2 billion. Responding to the needs of our clients and partner banks will help drive our growth in the significant UK cash savings market.

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 the 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 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.

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 line with the UK Corporate Governance Code.

The Group aims for effective and proactive risk management integrated into the culture of the Group as demonstrated by the Hargreaves Lansdown 'values'.

Governance of the risk and control framework

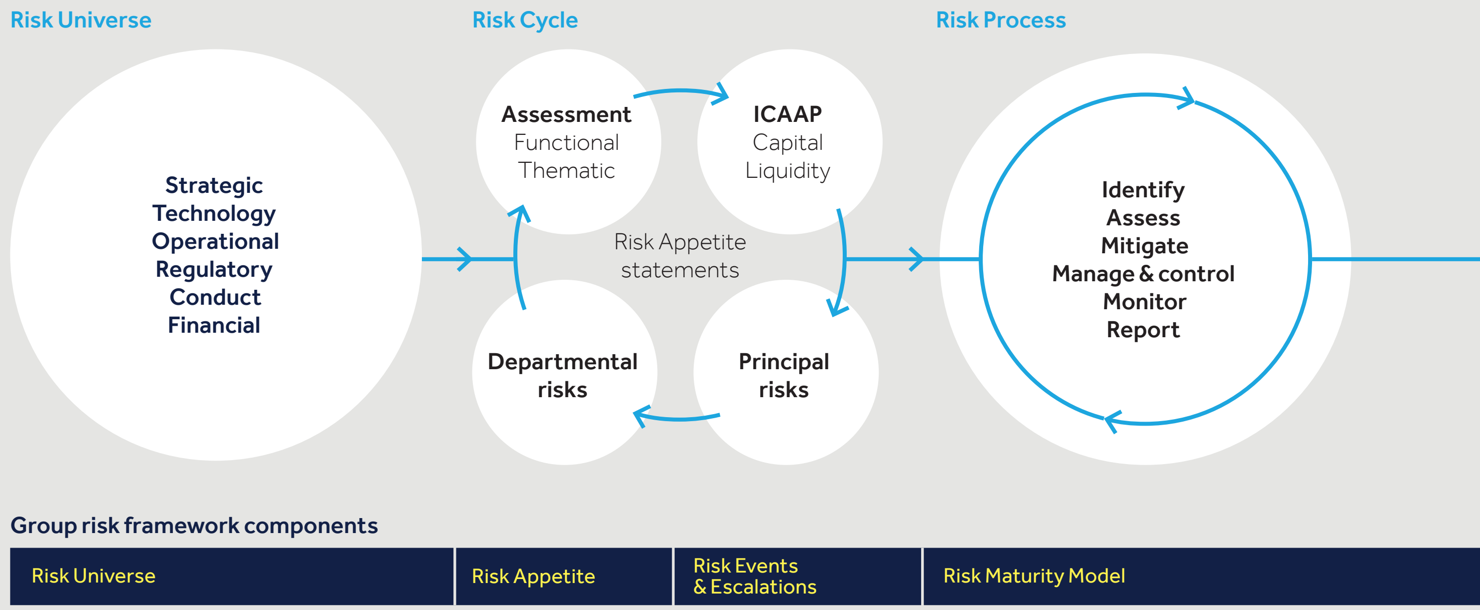
Risk management is acknowledged to be a core responsibility of all colleagues at Hargreaves Lansdown.

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

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 and the Board Risk Committee.

Fig 1 Our risk management framework and reporting schematic



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. Existing Terms of Reference have been amended, and where necessary, additional Committees established, including the Distribution Investment Oversight Committee and the Executive Investment Committee. Detail of the governance structure is included in the Corporate Governance section of the report.

In response to the COVID-19 pandemic, an additional governance Committee was constituted, the Crisis Management Committee, to provide direction and oversight to the HL response. This included regular reporting on performance, risk and assurance metrics, including key control effectiveness reporting.

It is understood by the Chair of the plc Board and Board Risk Committee that risk is a core theme which is demonstrated in all committee discussions.

The activities of the Board and Executive Committees are detailed in the Corporate Governance report, page 59-66.

The departmental risk materials are the foundation of the Group's risk framework. Each functional business area completes a risk assessment, which is maintained in the MetricStream Governance, Risk & Compliance tool.

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 risk event and control assurance information. Where controls are insufficient, management defines improvements to bring risks within agreed tolerance levels.

Risk materials are reviewed by the Board and executive management teams on a rolling basis with support from the second line business functions.

Risk universe

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 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.

The risk appetite statements combine qualitative statements and quantitative measures expressed relative to metrics such as operational process, capital, liquidity and other relevant measures.

The Group's risk appetite statements are reviewed on at least an annual basis. The Board has overall responsibility for determining the nature and extent of the risk it is willing to take and for ensuring that risks are managed effectively across the Group.

The Board sets the Group's risk appetite and measures this across six risk categories, with KRIs monitored against each. These categories are strategic, technology, operational, regulatory, conduct and financial. All KRIs include materiality thresholds for escalation and reporting.

The Risk Appetites link to Principal Risks, capital scenarios and stress testing.

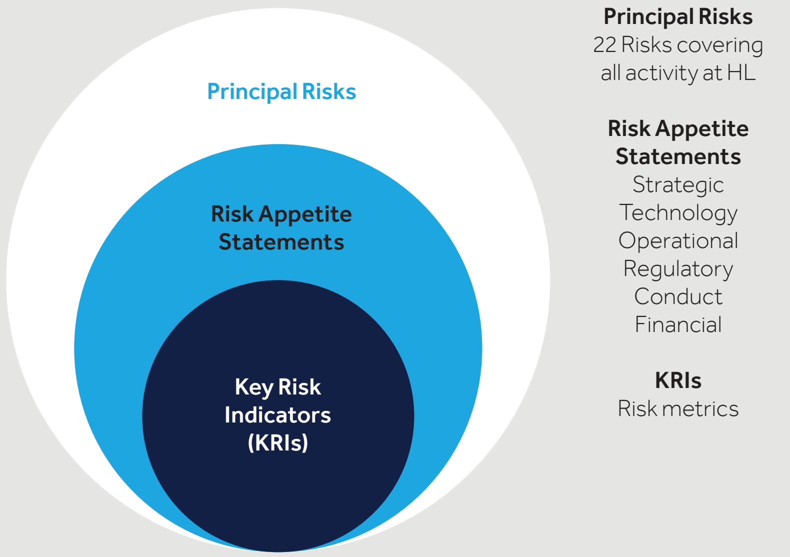
Risk reporting

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

The First Line of Defence report to operational committees, to the newly established Legal Entity Management Committees and the Executive Committee. Reporting is driven by Risk Events and material change to risk exposures.

Risk Governance

Fig 2 Risk appetite



RISK MANAGEMENT AND THE PRINCIPAL RISKS UNCERTAINTIES
EVALUATING AND MANAGING RISKS

The Second Line of Defence report to plc committees, Legal Entity Boards and Executive committees. The standard format is a CRO Report covering trends, the Principal Risk profile, risk appetite and risk event breaches by materiality 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; and
- A dedicated IT Security team, which manages, tests and controls the cyber control environment.

In the Second Line of Defence, the Compliance and Risk function includes teams focused on prevention of money laundering, prevention and detection of fraud and data protection.

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. Further external validation of the approach is commissioned through a third party .

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 Head of Internal Audit and the CRO. The response had three objectives:

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

In managing the response, the Principal Risk materials and departmental risk registers were refreshed and monitored. The CMC monitored risk appetite, risk events, complaints, and financial crime data and received reporting on enhanced Key Control monitoring. Decisions were taken by the CMC or escalated to the Executive Committee on a materiality basis. To provide further assurance on the resilience of the business to the impacts of the pandemic on markets, stress tests were run and the outcomes discussed by management and the Board Risk Committee in June.

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, technology, operational, regulatory, conduct and financial in accordance with our risk framework.

Management and the Board regularly discuss emerging risks. Topics discussed during the period included Brexit, the marketplace, communications from the FCA, the gender pay gap and the COVID-19 pandemic.

Assessment process for the viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three-year period to June 2023 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. Planning and scenario testing has examined the company's resilience to worst case scenarios resulting from the impact of the pandemic. The range of testing results over three potential future outcomes, each with a different expectation of the timing of a return to market normality, saw at worst a 28% fall in the Group's financial outcome. 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 .

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 technology, operational, regulatory, conduct and financial 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 2019-2020 changes, consideration was given to the impact of COVID-19 on the Group's inherent risks after considering mitigating actions and controls.

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 revised processes and controls.

Management and the Board regularly discuss emerging risks. Topics discussed during the period included Brexit, the HL response to the suspension of the Woodford Equity Income Fund, communications from the regulator, third party services and solutions, cybercrime and the COVID-19 pandemic.

Strategic risks

Proposition and services

Owner:
Chief Executive Officer

Link to strategy:

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

2019-2020 Change
STABLE

Risk
Risk that HL does not provide the proposition and services required to achieve HL's strategy and purpose.

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

Mitigation and controls
- The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis
- Dedicated proposition/client experience team
- Client testing workshops
- Product governance process
- An operational plan is in place prioritising development

Key risk indicators
- NNB v forecast
- Net Promoter Score (NPS)
- Net Ease Scores
- Client retention
- Service rating
- Complaints
- Risk events

2019/20 activity
- Launched additional Segregated Mandates in HL Fund Managers
- Continued development of Active Savings proposition
- Launch of Wealth Shortlist
- Governance improvements

Performance of markets

Owner:
Chief Executive Officer

Link to strategy:

Link to HL values:
N/A

2019-2020 Change
INCREASING

Risk
Risk that HL fails to respond effectively to relevant market or environmental changes leading to the inability to attract or retain clients in line with strategic expectations, or a negative impact on revenue, resulting in erosion of shareholder value.

Potential impact
- Reduced AUA and AUM
- Negative impact on HL revenue

Mitigation and controls
- The Group's business model comprises both recurring platform revenue and transaction-based revenue
- A high proportion of the AUA are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal.
- Finance Executive Committee, Treasury Committee and Finance Reporting
- The Group has established a COVID-19 working group focused on mitigating business and client impacts from the pandemic.
- Liquidity policy and associated controls oversight

Key risk indicators
- Interest rates
- FTSE 100
- Daily management information

2019/20 activity
- Ongoing discussion in the Executive Committee
- Work for the Brexit-preparation work stream has continued throughout the year.
- Established Crisis Management Committee to focus on mitigating business and client impacts from COVID-19 pandemic.

Technology

Owner:
Chief Information Officer

Link to strategy:

Link to HL values:
Do the right thing, do it better

2019-2020 Change
STABLE ▶

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

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
- Integration of development capacity from HL Tech in Poland
- 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

2019/20 activity
- Continued development and evolution of our core architecture
- Platform security improvements
- Technology solutions to support COVID-19 response
- Enhanced monitoring of technology environments
- Refresh of technology strategy

Reputational

Owner:
Executive Committee

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

2019-2020 Change
DECREASING ▼

Risk
The risk that negative publicity, public perception or uncontrollable events have an adverse impact on HL's reputation.

Potential impact
- Reduced AUA and AUM
- Negative impact on HL revenue
- Erosion of shareholder value

Mitigation and controls
- Reputational risk is embedded within all the principal risks and uncertainties, and is considered within the relevant mitigations and controls
- PR function, including access to external advisors

Key risk indicators
- NNB
- Client retention
- NPS

2019/20 activity
- Management of the Woodford Equity Income Fund suspension, engagement with clients and external stakeholders
- Response to the COVID-19 pandemic

Legal and regulatory risks

Regulatory change

Owner:
Risk and Compliance Director

Link to strategy:

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

2019-2020 Change
INCREASING ▲

Risk
Risk that required regulatory change is not implemented to regulatory expectations or requirements.

Potential impact
- Regulatory breaches
- Increased regulatory scrutiny, censure or fines
- Missed opportunities to achieve competitive advantage

Mitigation and controls
- Compliance Plan
- Group Operating Plan
- Change Committee meets monthly to review and challenge progress of regulatory change projects designed to ensure business readiness
- The Compliance function performs horizon checking to ensure the Group has timely visibility of future regulatory change
- Dialogue with the FCA, including increased engagement in response to COVID-19

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

2019/20 activity
- Ongoing CASS environment review and improvement activities
- Projects completed: SMCR and PSD2
- Reprioritisation of change portfolio within Operating Plan
- Set up of combined assurance framework
- Established Crisis Management Committee to oversee response to COVID-19

Conduct Risks

Client outcomes

Owner:
Chief People 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

2019-2020 Change
STABLE ▶

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

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

Mitigation and controls
- Business plans linked to colleague surveys
- Senior management meet monthly to oversee and drive client experience, people and culture related activity
- Regular Conduct Risk MI, discussed in Governance Committees
- Product Governance Committee
- Corporate and social responsibility programme
- Business-led diversity, inclusion and wellbeing programme of activity
- Colleague Performance Development model

Key risk indicators
- Glassdoor rating
- Employee surveys
- Client survey results
- Colleague retention
- Complaints
- Clients cancelling a new product or service
- Proportion of clients demonstrating poor outcomes

2019/20 activity
- CEO Communications
- Leadership group restructured and developed
- Improvements to Product Governance agenda

Operational risks

Operational delivery

Owner:
Chief Financial Officer

Link to strategy:

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

2019-2020 Change
STABLE ▶

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
- Operational MI
- Control focus at key governance forums, including: CASS Committee, Executive Risk Committee, and Risk Committee

Key risk indicators
- Risk events
- Best execution monitoring
- Third party breaches
- Complaints
- Helpdesk call quality
- Employee retention rates
- Operational processing transaction errors

2019/20 activity
- Embedding of process improvements across operational functions leading to reduced errors, complaints and breaches (excluding exceptional events).
- Set up of combined assurance framework
- Temporary suspension of some peripheral client services in response to COVID-19, to focus on key deliverables and protect against client harm
- Crisis Management Committee established to focus on managing the response to COVID-19 and to mitigate negative business and client impacts

People

Owner:
Chief People Officer

Link to strategy:

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

2019-2020 Change
INCREASING ▲

Risk
Risk that HL fails to attract, retain, develop and motivate great people who are aligned to HL Values.

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

Mitigation and controls
- Performance and Reward Committee
- FCA Conduct rules (SMCR)
- Code of conduct
- Senior management meet monthly to oversee and drive client experience, people and culture related activity

Key risk indicators
- Employee retention rates
- Employee absence monitoring

2019/20 activity
- Updated contingency planning for key roles
- Implementation of new internal communication plan
- Review and update of key HR policies in light of COVID-19
- Development of Leadership group and capabilities

Financial crime and data protection

Owner:
Chief Information Officer and the Risk and Compliance Director

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

2019-2020 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.

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

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 Commissioners Office (ICO) notifiable data protection breaches

2019/20 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
- Restructure of first and second line teams to support specialist monitoring

STAKEHOLDER ENGAGEMENT

CREATING OUR FUTURE TOGETHER

Engaging with stakeholders is fundamental to the way we do business at Hargreaves Lansdown and ensures responsible and balanced decisions are made across both the short and long-term.

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 do this.

Clients

Empowered to save and invest with confidence. Making their financial lives easy.

How did we engage with them?

Our client focus includes aiming to understand the issues in their financial lives so we can develop services and solutions to help. This year, more than ever, we have:

- Conducted client surveys and
- Held focus groups and client panels to get a deeper insight of our clients' needs.

Feedback is used to continually improve the choice, quality and convenience of our service.

What were the key topics raised?

- A desire for greater transparency of our investment research and improved usability of the Wealth 50
- More help with pension, drawdown and annuity choices
- Easier ways to find funds and access research

How did we respond?

- **We launched our Wealth Shortlist with improved transparency and usability, which will help clients build a portfolio from funds our analysts have selected for their long-term performance potential.**
- **We improved our SIPP and Drawdown proposition, which included regulatory changes ahead of schedule, plus improvements to our annuity service leading to more clients receiving enhanced annuity rates.**
- **We launched our Fund Finder as an enhancement to our current fund search tool to better meet clients' needs.**

FIND OUT MORE

Pg 38: Our corporate social responsibility
Our commitments and aspirations.

Pg 113: Section 172 Statement
You can read about how the Board considers the interests of our stakeholders when complying with its obligations under Section 172 Companies Act 2006 in our Section 172 Statement.

Employees

An increasingly diverse and inclusive workforce, motivated and enabled to achieve greatness by strong leadership.

Engaging colleagues is key to creating a healthy culture at HL. We've taken a number of actions to develop this including:

- Embedding an always listening, always adapting approach through the HL Colleague Forum, annual colleague survey and regular pulse surveys.
- Taking a multi-channel, digital led approach to communications.
- Launching wisdom councils and manager circles to foster collaboration and knowledge sharing.

- Recognition of the complexity of communication and decision making during a challenging year
- A need to adapt our processes and policies to better support wellbeing and flexibility during COVID-19.
- Transparency and fairness around pay.

- **Increased the transparency, frequency and tone of communication around decisions and business activity**
- **Updated policies and process to support increased flexibility and better work-life balance**
- **Launched 'Wellbeing Wednesdays', guides, tools and webinar training to support managers and colleagues**
- **Delivered a review of contractual hours to ensure fairness and consistency across the business**

Shareholders

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

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 conferences both in the UK and abroad.
- Our AGM in October 2019 with the Board providing a review of performance of the Group and providing opportunity for interaction and shareholder voting on resolutions.

- How we have dealt with COVID-19 across the business
- Managing costs and increasing operational efficiency
- What lessons have we learnt from the Woodford issue and what changes have been made to prevent a reoccurrence.
- Competitive threats including the threat of free trading platforms

- **Key topics for investors are incorporated into presentations which we use in meetings throughout the year including Interim and Full-year results announcements and separate governance meetings held by the Chair with key shareholders.**
- **Regular reports and feedback to the executive team and the Board on key market issues and concerns are provided.**
- **Our corporate brokers deliver updates on market dynamics and corporate perception helping us to shape our strategic priorities.**

Society

We aim to be a responsible corporate citizen, positively influencing society and encouraging people to save and make more of their money.

We actively seek to lobby via public consultation and with policymakers where we believe that investors in the UK will benefit.

We have explored citizenship and sustainability agendas through a number of partnerships and relationships with community partners, charities and the Bristol One City Plan.

- Making improvements to the transfer process, in addition to promoting the importance of people actively engaging with their workplace pension.
- Supporting the communities in which we operate to thrive.
- To reduce the environmental impact of our operations.

- **Lobbying to give employees more control over their workplace pensions and improved access to pensions for the self-employed.**
- **Lobbied to reduce government penalty on LISA.**
- **Heavily involved in the industry drive to improve transfers.**
- **Promoted our volunteering scheme and supported more charitable causes in our community.**
- **100% of the general waste and mixed packaging disposed of in our head office is recycled.**

OPERATING AND FINANCIAL REVIEW

DIVERSIFIED REVENUES AND RESILIENT GROWTH

Delivering a robust year of NNB inflows and double digit profit growth during difficult market conditions.

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

	Year ended 30 June 2020 £bn	Year ended 30 June 2019 £bn
Opening AUA	**99.3**	91.6
Underlying NNB	**7.7**	7.3
Market movement and other	**(3.0)**	0.4
Closing AUA	**104.0**	99.3

The diversified nature of Hargreaves Lansdown, the breadth of our product offering and provision of high quality services tailored to the needs of our clients has allowed us to deliver a record year for NNB inflows. This has been achieved against a backdrop of uncertainty around UK politics and Brexit in the first half and the unprecedented issues relating to the COVID-19 in the second half. The Group's relentless focus on client service has been core to our success as a business and positions us well for the structural growth opportunity in the UK savings and investments market.

NNB for the year totalled £7.7 billion (2019: £7.3bn) driven by increased client numbers, continued wealth consolidation onto our platform and strong trading through the COVID-19 period. The first half of the year saw difficult external market conditions, with concerns over global trade wars, Brexit and the UK general election all weighing on investor confidence. The first half benefited from new business from direct books totalling £0.9 billion.

Following the general election, we saw an increase in client confidence, engagement and activity levels. As the world became disrupted by COVID-19, the benefits of our investments over the past few years became clear. Whilst being focused on colleague welfare throughout, we remained open for business through the crucial tax year end period. We were able to cope with a surge in net new clients, NNB and record activity levels. An ISA focused advertising campaign helped drive significant new ISA clients and our stockbroking capabilities helped attract many new younger clients who were particularly engaged with share dealing.

During the year to 30 June 2020, we introduced 188,000 (2019: 133,000) net new clients to our services and grew our active client base by 15% to 1,412,000.

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 was 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 92.8% and 92.1% respectively. 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 95.7% (2019: 96.1%, 2018: 95.8%). 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 5% to £104.0 billion as at 30 June 2020 (£99.3 bn as at 30 June 2019). This was driven by £7.7 billion of NNB offset by negative market movement of £3.0 billion.

Financial performance

Income statement

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Revenue	**550.9**	480.5
Operating costs	**(214.9)**	(179.4)
Fair value gains on derivatives	**1.7**	2.2
Finance income	**2.8**	2.8
Finance costs	**(1.0)**	(0.3)
Underlying profit before tax	**339.5**	305.8
Gain on disposal (see Note 4.1)	**38.8**	–
Profit before tax	**378.3**	305.8
Tax	**(65.1)**	(58.2)
Profit after tax	**313.2**	247.6

> Higher asset levels and record share dealing volumes driving double digit profit growth.

Philip Johnson
Chief Financial Officer

2020 profit before tax grew by 24% to £378.3 million. This included a gain on disposal of £38.8 million relating to FundsLibrary Limited, which, if removed, would give an 11% increase in underlying profit before tax. The increase was driven by continued NNB-driven revenue growth and strong share dealing volumes in the second half of the year.

Revenue

Revenue for the year was £550.9 million, up 15% (2019: £480.5m), driven by higher asset levels and record share dealing volumes seen in the second half of the year. This more than offset a fall in annual management charges on the HL Funds which fell in line with their lower average asset values seen this year. This strong revenue result in a period of difficult external conditions clearly shows the benefit of the Group's diversified market-leading presence across our range of chosen asset classes. Our market share of the UK execution only market continued to grow, hitting a new high of 39.5% (as measured by Compeer's XO Quarterly Benchmarking Report Q1 2020).

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

Revenue on Funds increased by 2% to £210.6 million (2019: £206.2m) due to AUA growth primarily from net new business. Funds remain our largest client asset class at 52% of average AUA (2019: 55%), and the revenue margin earned on these this year was 40bps (2019: 41bps). As anticipated the fund margin was slightly impacted as we waived the platform fee throughout the period on holdings in the Woodford Equity Income Fund and on the Woodford Income Focus Fund during its suspension from October 2019 to February 2020. The revenue impact from the waivers is estimated at £2.6 million and had it not been incurred the margin would have been 41bps. Revenue margins on Funds have been broadly stable following the completion of RDR in 2014 and we expect them to remain at similar levels over the next 12 months. Funds AUA at the end of 2020 was £51.7 billion (2019: £53.8bn).

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue £m	**Average AUA £bn**	**Revenue margin bps**	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**210.6**	**52.3[7]**	**40**	206.2	50.6[7]	41
Shares[2]	**148.5**	**34.3**	**43**	86.2	31.4	27
Cash[3]	**91.1**	**12.3**	**74**	73.2	10.2	72
HL Funds[4]	**63.6**	**8.7[7]**	**73**	68.3	9.2[7]	74
Other[5]	**37.1**	**1.7[6]**	**–**	46.6	0.5[6]	–
Double–count[7]	**–**	**(8.6)[7]**	**–**	–	(9.1)[7]	–
Total	**550.9**	**100.6[7]**	**–**	480.5	92.8[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.

OPERATING AND FINANCIAL REVIEW
DIVERSIFIED REVENUES AND RESILIENT GROWTH

Revenue on Shares increased by 72% to £148.5 million (2019: £86.2m) and the revenue margin was 43bps (2019: 27bps), ahead of our expected range of 35bps to 40 bps given at the trading update on 14 May 2020. This margin is primarily a result of the ratio of dealing volumes to average AUA, and whilst the first half saw AUA increase faster than dealing volumes and the subsequent revenues, the situation in the second half changed dramatically. Post the General Election result in December 2019 and into the COVID-19 period, dealing volumes increased to record levels on our platform at a time when the average AUA was impacted by significant market falls. This resulted in the second half margin being unusually high at 61bps compared to 26bps in the first half, giving an overall margin of 43bps. Total client driven deal volumes increased 95% to 8.2 million (2019: 4.2m). March to June recorded volumes of 1.1 million to 1.3 million deals per month compared to a monthly average of 0.37 million for the same months in the past three years.

Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in a SIPP and £10,000 in an ISA. This causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2019: 34%). Given recent experience, it is difficult to know what the margin of Shares might be over the next 12 months given it is primarily driven by actual dealing volume levels. However, our current expectation is that it will be in the range of 30 to 50bps. Shares AUA at the end of 2020 was £36.4 billion (2019: £33.7bn).

Revenue on Cash increased by 24% to £91.1 million (2019: £73.2m) as a result of increased cash levels combined with a slight increase in the interest margin to 74bps (2019: 72bps). This is in line with our communicated expectations of between 70bps and 75bps given at the trading update announced on 14 May 2020. Cash accounts for 12% of the average AUA (2019: 11%). At the start of the year the Bank of England base rate was 0.75% but then emergency rate cuts of 0.50% and then a further 0.15% in March 2020 took us to an all-time low of 0.10%. 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 rise takes over a year to flow through. We anticipate the cash interest margin for the 2021 financial year will be in the range of 40bps to 50bps, although given how the yield curve took a couple of months to reflect the cuts in base rate we expect margins in the first half of the year to be higher than the second half as higher rate deposits roll off and are replaced at a lower rate. Cash AUA at the end of 2020 was £13.6 billion (2019: £10.7bn).

HL Funds consist of 10 Multi-Manager funds, on which the management fee is 75bps per annum, and three Select equity funds, on which the management fee is 60bps. Revenue from these funds has fallen by 7% this year to £63.6 million (2019: £68.3m) due to modest net outflows as we have not actively marketed the Multi-Manager funds whilst the Woodford Equity Income Fund has been suspended combined with their lower market valuations resulting from COVID-19. 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 73bps (2019: 74bps). Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £100.6 billion (2019: £92.8bn) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2020 was £8.0 billion (2019: £9.4bn).

Other revenues are made up of advisory fees, our Funds Library data services, 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 20% in the year mainly because of the disposal of our subsidiary business, FundsLibrary Limited, on 28 February 2020, the removal of various fees such as exit charges and a fall in advisor fees as a result of COVID-19.

Assets held within Active Savings on the platform and the related revenue are not broken out into a separate category in the previous table. As highlighted before, 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 addition we have been developing the proposition further and we will be launching a Cash ISA offering soon. This will initially be made available to existing Active Savings clients before we market it more widely. In the coming months we will also 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 £270 billion. As at 30 June 2020, Active Savings AUA was £2.2 billion. The associated revenue is included in the category "Other", such that the total revenue reconciles back to the income statement.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Recurring revenue	**404.3**	387.3
Transactional revenue	**140.1**	84.3
Other revenue	**6.5**	8.9
Total revenue	**550.9**	480.5

The Group's revenues are largely recurring in nature, as shown in the table above. The proportion of recurring revenue has decreased to 73% (2019: 81%) as the transactional stockbroking commission increased significantly in the second half of the year, whilst at the same time lower market values and a reduction in the base rate of interest impacted recurring revenue streams.

Recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. It grew by 4% to £404.3 million (2019: £387.3m) due to increased average AUA from continued net new business and higher interest rates earned on client money. Recurring revenues provide greater profit resilience and hence we believe they are of higher quality than non-recurring revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This increased by 66% to £140.1 million (2019: £84.3m) with a 95% increase in client driven equity deal volumes being the key driver.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was down 27% from £8.9 million to £6.5 million as the subsidiary company FundsLibrary Limited was sold on 28 February 2020.

Operating costs

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Staff costs	**101.2**	97.2
Marketing and distribution costs	**23.9**	12.7
Depreciation, amortisation and financial costs	**17.6**	12.4
Other costs	**58.5**	50.3
	201.2	172.6
Total FSCS levy	**13.7**	6.8
Total operating costs	**214.9**	179.4

Operating costs increased by 20% to £214.9 million (2019: £179.4m) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown. In addition there was a significant increase in regulatory fees relating to the Financial Services Compensation Scheme (FSCS). The growth rate in costs, excluding the FSCS levy, was 17% for the year

Over the past three 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 2020 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 marketing and distribution, particularly in the second half. These rose by £11.2 million this year as we capitalised on the opportunity to accelerate new client acquisition and invested in our brand awareness campaign. At current revenue margins and activity levels, the £7.7 billion of NNB this generated is equivalent to c£40 million of future annual revenues. Activity based costs also rose by £6.9 million. These are primarily dealing costs linked to the additional £60 million of Shares revenue and debit card fees linked to elevated levels of cash paid onto the platform.

Looking forward we would anticipate that costs will grow broadly in line with the growth of client numbers. Cost growth in 2020 was marginally ahead of this due to the unusual marketing opportunity to acquire new clients and exceptional dealing volume costs.

Staff costs remain our largest expense and rose by 4% to £101.2 million (2019: £97.2m). Average staff numbers increased by 2% from 1,574 in 2019 to 1,599 in 2020 with the key increases being on the Helpdesk and in Operations, in line with higher client activity levels. 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 88% to £23.9 million (2019: £12.7m). In the first half of the year, spend focused on targeted marketing campaigns for the likes of Active Savings and engagement with existing and target clients around Brexit and the general election. Investor confidence and engagement, however, were low and hence spend was largely held back until the second half when there was a significant increase in client engagement post the general election and the decision on Brexit. This provided a better backdrop for marketing spend and also coincided with the build up to the all-important tax year end period where the UK tends to see significant activity amongst retail investors. In addition, February saw the launch of a brand marketing campaign centred on London and the South-East. The campaign, "Switch your money on", was particularly aimed at the ISA market along with overall brand awareness. This together with our digital marketing expertise, resulted in substantial net new clients of 138,000 for the second half and a total for the year of 188,000.

Depreciation, amortisation and financial costs increased by £5.2 million to £17.6 million. The adoption of IFRS 16 "Leases" meant operating leases relating to the offices of Group companies were brought on to the balance sheet as right of use assets which are now depreciated. The impact of this accounting change was an additional £3.0 million of depreciation in the year. In addition, bank charges increased by £1.5 million as there were significantly more debit card transactions as clients added money to their accounts.

Total capitalised expenditure was £15.9 million this year (2019: £17.1m). This expenditure was from 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.

Other costs rose by £8.2 million to £58.5 million (2019: £50.3m). The key drivers of this were increased computer maintenance and office costs driven by higher employee numbers and additional office space, increased professional fees and irrecoverable VAT on non-staff expenses.

OPERATING AND FINANCIAL REVIEW
DIVERSIFIED REVENUES AND RESILIENT GROWTH

The Financial Services Compensation Scheme (FSCS) levy rebased upwards by £6.9 million or 101% to £13.7 million. This was caused by a combination of a £1.5 million interim levy relating to last year, which was only raised in December 2019, plus a significant increase in the amounts being raised in both the life distribution and investment intermediation categories. Much of our revenue falls into these two categories and with our revenue growth being above the wider market we bear a higher proportion of the amounts being raised. 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 2020 £m	Year ended 30 June 2019 £m
Operating profit	**337.7**	303.3
Finance income	**2.8**	2.8
Finance costs	**(1.0)**	(0.3)
Underlying profit before tax	**339.5**	305.8
Gain on disposal	**38.8**	–
Profit before tax	**378.3**	305.8
Tax	**(65.1)**	(58.2)
Profit after tax	**313.2**	247.6

The Group's profit before tax grew by 24% to £378.4 million (2019: £305.8m) due to strong trading and a £38.8 million gain from the disposal of FundsLibrary. The Board believes it is important to present an underlying result excluding this disposal gain to assist investors with their understanding of the Group's trading performance. On this basis, underlying profit before tax grew 11% to £339.5 million. Profits after tax grew by 26% to £313.2 million as the effective rate of corporation tax rate decreased to 17.2% (2019: 19.0%).

Tax

The effective tax rate for the year was 17.2% (2019: 19.0%). This 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 2020 £m	Year ended 30 June 2019 £m
Profit after tax	**313.2**	247.6
Diluted share capital (million)	**474.8**	475.8
Diluted EPS (pence per share)	**65.9**	52.0
Underlying diluted EPS (per share)	**57.8**	**52.0**

Diluted EPS increased by 27% from 52.0 pence to 65.9 pence, reflecting the Group's growth in profit after tax. The Group's Basic EPS was 66.1 pence compared with 52.1 pence in 2019. By removing the profit on disposal of FundsLibrary we arrive at an underlying diluted EPS which has increased by 11% from 52.0 pence to 57.8 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.

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 strategy 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 2020 was £462.8 million (2019: £394.0m). Cash generated through trading and the disposal of FundsLibrary Limited more than offset the payments of the 2019 final dividend and the 2020 interim dividend. This includes cash on longer-term deposit and is before funding the 2020 final dividend of £125 million and special dividend of £82 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 2020 £m	30 June 2019 £m
Shareholder funds	**558**	458
Less: goodwill, intangibles and other deductions	**(32)**	(24)
Tangible capital	**526**	434
Less: provision for dividend	**(207)**	(150)
Qualifying regulatory capital	**319**	284
Less: estimated capital requirement	**(180)**	(186)
Surplus capital	**139**	98

Total attributable shareholders' equity, as at 30 June 2020, made up of share capital, share premium, retained earnings and other reserves increased to £558.3 million (2019: £457.8m) as continued profitability more than offset payment of the 2019 final and special dividends and the 2020 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £139 million.

The Group has three subsidiary companies authorised and regulated by the FCA and one subsidiary authorised by the FCA under the Payment Services Regulations 2017. 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 2020 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)

	2020	2019
Interim dividend paid	**11.2p**	10.3p
Final dividend declared	**26.3p**	23.4p
Total ordinary dividend	**37.5p**	33.7p
Special dividend	**17.4p**	8.3p
Total dividend	**54.9p**	42.0p

When applying this policy in 2020, the Board has chosen to treat the gain on disposal as distinct from the underlying trading performance of the Group. The Group's total dividend of 54.9 pence per share is therefore made up of the following components:

- A total ordinary dividend of 37.5 pence per share (2019: 33.7p), 11% ahead of last year. This is in line with underlying EPS growth and maintains the ordinary dividend payout ratio at 65% of underlying EPS.
- A special dividend of 17.4 pence per share (2019: 8.3p) made up of two parts.

Firstly, the Board has considered the Group's capital and cash position in light of its stated dividend policy and is recommending 9.2 pence of the special dividend is paid from the underlying earnings of the Group. In effect, this results in 46.7 pence of the total dividend per share being generated from underlying earnings and results in a total dividend payout ratio from underlying earnings of 81%, in line with previous periods.

Secondly, the Board consider the Group to have a robust capital and liquidity position with sufficient resources to fund its current growth and investment requirements. As a result, it has concluded that the gain on disposal of FundsLibrary should be distributed to shareholders and this makes up 8.2 pence of the special dividend.

This results in a total special dividend of 17.4 pence per share and a total 2020 dividend for the year of 54.9 pence per share (2019: 42.0p).

Subject to shareholder approval of the final dividend at the 2020 AGM, the final and special dividends will be paid on 16 October 2020 to all shareholders on the register at the close of business on 25 September 2020.

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

6 August 2020

BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

OUR STRATEGY COVERS FOUR PILLARS

Clients

We put our clients first with positive client outcomes central to our sustainable busuiness. We listen to them and empower them to save and invest with confidence.

People

We are committed to attracting, developing and retaining talented people who put our clients at the heart of everything we do.

Community

We strive to play a positive, supportive and leading role in our local community.

Environment

We take our responsibilities toward the environment and climate change seriously and look to promote energy efficiency and the avoidance of waste throughout our operations.

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 fix them.

From supporting the local community to minimising our environmental impact, our aim is to ensure our actions have a positive impact on society.

We are committed to Corporate Social Responsibility (CSR) and it is embedded into our policies and practices to the benefit of stakeholders and the wider community with long-term sustainable outcomes for all. 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.

Values

Our success is founded on delivering great client service through the skills and passion of our people who bring our values to life across the business. We take the responsibility of looking after client outcomes and investments extremely seriously. Only from creating trust and true client focus, through our embedded values, can we build long-term relationships and deliver on our strategy to the benefit of both clients and shareholders.

> "Our success is founded on delivering incredible client service through the skills and passion of our people who bring our values to life across the business.

Clients

Looking after clients to ensure they are empowered financially.

Putting clients first

Positive client outcomes are central to our 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 our clients' views and feedback through surveys and 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 investigate our client's complaint and endeavours to provide them with a fair outcome and timely resolution. We learn from these experiences.

We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2020 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is both fair and responsive in such circumstances.

Going the extra mile

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. To help, over the year we've kept our Helpdesk open on Sundays and late into the night during the ever busy tax year end.

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 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 1,600 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.

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.

CORPORATE SOCIAL RESPONSIBILITY
BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

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We are committed to attracting, developing and retaining talented people who put our clients at the heart of everything we do.

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 aim to educate and empower people to make the right choices for them 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.

We undertook an audit to assess the accessibility of the HL website and literature. We work hard to build our websites so that they are accessible and easy to use, by designing them with reference to guidelines laid down by the Web Accessibility Initiative (WAI). For more information please see our Accessibility webpage: **www.hl.co.uk/accessibility**

The outcome is that clients are able to conduct their business with as little hassle as possible. Information on our website is easy to find and targeted for different needs; application processes are streamlined and only ask for the information we really need; and if a client contacts us by telephone they will be put through directly to a knowledgeable person rather than an automated telephone system.

Doing it better

We continually challenge ourselves to deliver a better, more innovative service for our clients. Our Active Savings service provides clients with the same experience with their cash savings as they have with their investments – making it simple and easy to move money from one account to another to get better rates on their cash.

We have also launched a new Wealth Short List and Fund Finder. New additions include greater transparency of the fund selection process and criteria, with more detail available to those that want it, in addition to revamped research notes and greater detail of how a fund could fit into a wider portfolio.

Our Workplace Solutions team deliver financial education to our corporate clients helping people to understand and engage with their finances.

Campaigning on behalf of UK investors

We always endeavour to do the right thing for our clients and other stakeholders. We actively seek to lobby via public consultation and with policymakers where we believe that investors in the UK will benefit. Examples include:

- Lobbying the DWP to give employees more control over their workplace pensions and improved access to pensions for the self-employed;
- Lobbying industry and the DWP on the importance of engaging people with their workplace pension;
- Lobbied with the industry to reduce government penalty on LISA;
- We've been heavily involved in the Industry drive to improve transfers; and
- Actively involved with Industry trade bodies to champion client interests.

People

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

We are committed to attracting, developing and retaining talented people who put our clients at the heart of everything we do. Our people are proud of what they achieve together, and have a strong sense of belonging to Hargreaves Lansdown and everyone recognises the crucial role that they play.

Our people strategy

The strength of our people is pivotal to our business and we aim to motivate and inspire them to reach their full potential through:

- Attracting, developing and retaining outstanding people;
- Embedding a client centric culture where we live our values;
- Building a strong talent pipeline to enable the long-term success of the Group; and
- Enabling our people to deliver our strategic goals and lead change at pace.

Building diversity and inclusion

Our objective is simple – to build a diverse workforce at all levels and create an inclusive culture for all. We want a culture that attracts, values and retains people from all backgrounds, life experiences, preferences and beliefs and to ensure they are recognised and valued for the different perspectives they bring.

At Hargreaves Lansdown, 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.

Our clients:
Our purpose is to empower people to save and invest with confidence. The more diverse our workforce, the more easily we can understand and meet the needs of our growing and increasingly diverse client base.

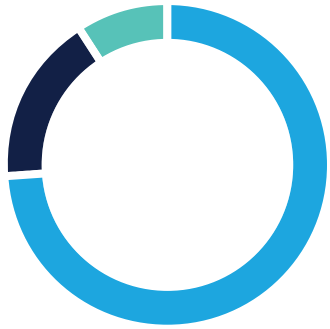
Our business:
Greater organisational diversity correlates strongly with better organisational performance. We believe that diversity of thought enables us to make better business decisions, manage risk more effectively and drive innovation.

Our people:
We are committed to hiring and retaining the very best and, to do so, we must draw from the broadest pool of applicants. Our commitment to an inclusive culture where people treat each other with dignity and are able to bring their whole selves to work is key to allowing our staff to realise their potential.

To support our drive for diversity and inclusion, we launched our Diversity and Inclusion Policy to all UK colleagues this year, making clear our organisational commitment, principles, roles and responsibilities for everyone, from the Executives to all colleagues. For 2020, we are putting in place annual strategic priorities that help streamline our focus for maximum impact. These are agreed at Board level, driven forward by the Executive Committee and supported by our Diversity and Inclusion Squad.

Whilst we know there is always more we can do, we feel proud that our 2020 Colleague Survey results showed that 74% of colleagues feel that HL values and promotes employee diversity.

2020 Colleague Survey: Does HL value and promote employee diversity?



Agree	74%
Neutral	17%
Disagree	9%

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

400+

colleagues are members of one or more of the networks

20

events delivered through the year

BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

We know that tone from the top and executive buy-in and accountability are key to achieving sustainable change. Chris Hill, CEO, remains a passionate advocate for diversity and inclusion and is the Executive Committee member responsible for our strategy and action plan. We are further strengthening commitment to progress by ensuring Executive Committee members have a specific personal objective to develop a diverse, inclusive and innovative culture which is measured in part against our Women in Finance target.

Our award winning HL colleague networks play a critical role in fostering inclusion and belonging, and are each 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, including our Languages group;
- Kaleidoscope (LGBT+);
- Mental fitness group;
- Sports and social group;
- 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 and engaging colleagues. Over 400 colleagues are members of one or more of the networks, and the networks have delivered over 20 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 talk, sessions on the menopause and celebrating International Women's Day.

We recognise that our Diversity and Inclusion policy cannot stand in isolation. We've taken action 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 bring their authentic selves to work, to progress their careers and to balance their career and personal life.

In 2019, we launched our Fostering policy and we're proud to say that we've been approved as a Fostering Friendly organisation that can offer support to our colleagues who are, or intend to be, foster carers.

Our People policies are in place to attract a diverse workforce. We have published an outline of our family friendly policies on the HL careers site to be transparent about our parental leave and pay and demonstrate our commitment to attracting a wide base of talent.

We have recently published our third gender pay gap report relating to 2019. These figures paint a mixed picture. We have more than halved our mean Gender Pay Gap, down from 28.8% in April 2017 to 12.9% in April 2019. We have also significantly narrowed the median bonus gap since 2017 from 71.4% to 49.5%. However, we have seen marginal increases in our median Gender Pay Gap from 18.3% to 19.9% and mean bonus gap from 71.8% to 73.0%. Whilst we are pleased to have made some progress, we are in no doubt that there is still work to be done.

Our gender pay gap action plan was put in place in 2017 and focuses on initiatives that sought to eliminate bias from pay processes, remove barriers to progression for women, attract more female talent and create an inclusive culture.

We worked hard to complete the actions outlined in last year's plan. These included rolling out unconscious bias training for all leaders and hiring managers to support the reduction of bias in the interview and selection process, continuing to expand our Career Confidence Mentoring Scheme, making it easier for candidates to learn about our family-friendly policies by publishing them on our career site and a range of initiatives to increase the fairness and consistency of pay.

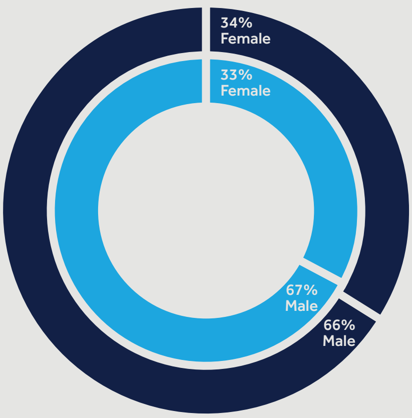
One of our strategic priorities for diversity and inclusion in 2020 is to hire more, promote more and lose less women, recognising that there is more we must do to increase the proportion of senior women at HL. Whilst we know that addressing female representation across HL will take time, we have initiatives in place to accelerate change. To support us in hiring more women, we have introduced a requirement, where possible, for a gender diverse slate of candidates for all senior roles at final stage, and we review all job adverts for gendered language prior to posting. To promote more women, this year we have standardised the promotion process deeper

OUR WORKFORCE

Total workforce 2020: 1,610
Total workforce 2019: 1,586

As at 30 June 2020	Board of directors	Other senior management[1]	Total employees (FTE)
Female	3 (33%)	7 (19%)	543 (34%)
Male	6 (67%)	29 (81%)	1,067 (66%)

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.



in the organisation to increase rigour and reduce bias and are identifying top talent deeper in the organisation to be able to support pull through of diverse talent into more senior roles. We are also focusing on the areas that we know are challenging to hire women into, including technology. We have run sessions focusing on tackling imposter syndrome and are advertising on women's tech sites.

We remain proud to be exceeding the 33% target set by the Hampton-Alexander Review for women on boards, to have met our target for the Women in Finance Charter and to have a female Chair.

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

Attracting and retaining outstanding people

Hargreaves Lansdown is an employer of choice for talented people. We use our Talent Acquisition Strategy and our Reward Strategy to ensure we attract and retain the right people to meet our short, medium and long-term business needs. Our Talent Acquisition strategy aims to:

- Bring new talent and ideas to the business to increase equality, diversity and inclusion;
- Support parents with flexible working options, part-time opportunities and returning to work programmes;
- Create stronger links with local schools, colleges, universities and our local communities;
- Expand our apprenticeship schemes;
- Improve brand awareness amongst young talent and millennials; and
- Support future recruitment needs.

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 Hargreaves Lansdown 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 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 30 June 2019 , 62% 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 matched giving on any payroll giving that colleagues undertake.

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

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

If colleagues become disabled, the Group always strives to continue employment, either in the same or an alternative position, with appropriate retraining being given if necessary. A full assessment of any disabled employee's needs is undertaken and reasonable adjustments are made to the work environment or practices in order to assist them.

Developing people and building a talent pipeline

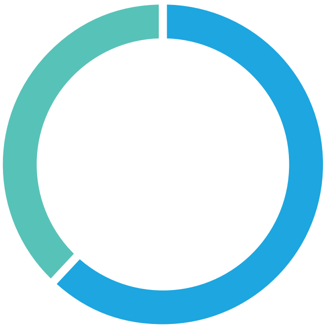
We have developed a range of schemes to widen our recruitment pool, improve diversity, and grow the skills and capabilities of our people including:

- Apprenticeships – 29;
- Placements – 8;
- Graduate scheme – 7;
- Mentoring – 76 mentors, 90 mentees; and
- Secondments.

We offer two types of apprenticeship:

Our New Specialist Apprenticeships (NSA) offer the opportunity for new colleagues, without previous experience, to develop skills and experience within a particular profession. The Apprentice's 'classroom learning' is delivered by an education provider of HL's choice, and is often delivered remotely. The Apprentice puts this learning into practice and develops their specialism within their role at HL, with the support of their manager and 'buddy'.

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



Signed up	62%
Not signed up	38%

Take-up across our apprenticeship schemes

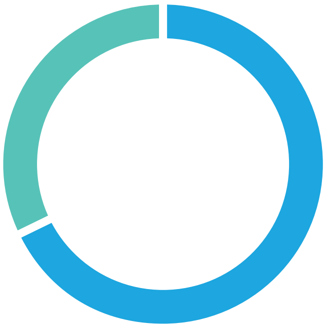
29

In total, in 2020, we have 29 people across our apprenticeships schemes.

> Hargreaves Lansdown is an employer of choice for talented people. We use our Talent Acquisition Strategy and our Reward Strategy to ensure we attract and retain the right people.

CORPORATE SOCIAL RESPONSIBILITY
BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

Response rate to the annual colleague engagement survey



Response	68%
No response	32%

Annual colleague engagement survey

82%

of colleagues agreed that HL provides good volunteering options

90%

of colleagues believed that HL supports the local community directly

An NSA is usually someone who has recently completed school or college. However, this is an inclusive opportunity and we consider applicants of any age.

Our Career Development Apprenticeship (CDA) is an opportunity for colleagues who are already working at HL in a specialist role, to develop their skills through completing a recognised qualification. This opportunity is open to everyone at HL, and we have a selection of qualifications to consider. Past courses completed through the CDA scheme vary from A Level equivalent qualifications, right the way through to Masters Degrees.

In total, in 2020, we have 29 people across our apprenticeships schemes.

Our Placement Scheme has eight colleagues and is designed to give eight students a preview of working life over a 12-month period and gain hands on experience of our working and social life. Doing everything in-house plays to their advantage, as we offer placements in a variety of business areas as well as plenty 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 develop future leaders on our bespoke two-year programme with rotations across key departments before choosing a specialism. Graduates are coached by senior managers and directors, 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. We had four new graduates start the scheme in 2019 and expect a further three to start in September 2020. We welcome applicants from a broad range of backgrounds and see the programme as a great source of diversity of thought for HL.

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. We have high quality development programmes in place to cater for colleagues at different stages of their career and are increasingly offering bite-sized, digital learning offerings to support the ongoing engagement and development of colleagues. We recognise the importance of building a pipeline of skilled and motivated talent for future leadership roles and have developed a robust talent framework to ensure we deliver this pipeline and retain those in business critical roles. We also believe in the need to encourage and support diversity through the pipeline and are committed to ensuring all colleagues are provided with equal opportunities for development and feel confident about progressing their careers.

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 they can develop. We use the 70:20:10 model to support our colleagues in their continuing personal and professional learning and development. Colleagues obtain 70% of their knowledge and development from job-related experiences, 20% from interactions with others, and 10% from formal educational events or exams.

Following research into diversity and inclusion at Hargreaves Lansdown showing that mentoring can improve confidence and support diverse talent, we launched the HL Career Confidence mentoring scheme in 2019. The purpose of the scheme is to build confidence and support people from all backgrounds to achieve their career aspirations. The scheme has gained momentum since then and we now have 92 mentoring relationships in place and positive feedback to show that the scheme is making a tangible difference to the engagement, development and growth of participants.

We also host the South West Mentoring Awards to recognise people for their contribution to supporting diversity through mentoring and have developed the South West Mentoring Network to ensure that best practice is developed across organisations in the South West.

Employee engagement

It is widely recognised that an organisation whose employees are engaged with its purpose, values and culture will perform better than others, and create value for clients and shareholders. This is because engaged employees feel a strong connection with their employer and believe their work is important. It is crucial therefore that we communicate with our people ensuring they understand our purpose, vision and priorities and how they each play their part in the development of our business.

We do this via a coordinated internal communications programme which includes presentations by the CEO, senior management insight talks, monthly CEO updates, weekly and monthly newsletters for all colleagues. Celebrating success and our achievements, also serve as a great means of engagement.

We believe it is important to listen 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 68% and our overall engagement score remained stable at 63%. For 2020, we also included questions on our CSR work, which received an 86% favourable response. 82% of colleagues agreed that HL provides good volunteering options that add value to colleagues, the community and the environment, and 90% of colleagues believed that HL supports the local community directly and via the HL Foundation.

We are always listening, and alongside pulse surveys we also have our workforce advisory panel, 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.

Supporting wellbeing

Our people are central to delivering our vision and strategy; ensuring their wellbeing is of key importance to us. We do this through our excellent rewards package and a wider curriculum of activities and support, ensuring there is something for everybody.

As part of our colleague wellbeing programme, colleagues have access to our Employee Assistance Programme, Lifeworks, a mental health app. We also introduced our wellbeing policy across the business. Managers have undergone mental health training and we have increased the numbers of qualified first aiders and Wellbeing Champions within the Company. This work has been supported by our HL Mental Fitness network group. As a result of COVID-19 we also introduced a dedicated 'wellbeing' hub which contains wellbeing resources and guidance for all colleagues. The resources cover mental, social, physical and financial wellbeing.

Sport is an important part of daily life and a way of engaging and evolving different community groups. HL has various colleague sports teams, and runs mixed sports and social events on a regular basis, and our HL Sports and Social network helps to coordinate events. Many colleagues also do a variety of sporting activities to raise money for our HL Foundation. Other initiatives include Personal Development, Community Matters and Healthy Mind weeks where a range of workshops and classes are run to raise awareness and promote a healthy working environment for colleagues.

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.

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 staff members 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. Colleagues undertake bespoke training programmes for all these areas, in addition to having access to online guidance and procedures aiding staff 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

CORPORATE SOCIAL RESPONSIBILITY
BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

Community

Playing a positive, supportive and leading role in our local community.

We work to support our local schools, colleges, universities and communities through:

- Our volunteering scheme;
- Actively engaging with Bristol City Council to support our community;
- Fundraising for charitable causes; and
- Promoting financial inclusion.

Bristol and the local community

We want to support Bristol as a city where everyone can thrive. To achieve this we support local projects and plans which aim to improve the lives of the people who live and work in the city.

Our colleagues are dedicated to doing the right thing and giving up their time to help charities and good causes.

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 participate in the 'Envision' School Mentoring scheme helping students at risk of disengaging with school systems to build confidence and aspirations. We want to ensure that we support children to ensure they have the best start in life to enable them to set a strong foundation for later years. Colleagues also have the opportunity to volunteer at causes, or charities of their choice. This year, we have seen team volunteering away days including renovating a primary school playground and building a new classroom, in addition to litter picking along the popular Bath to Bristol cycle path.

Our volunteering scheme exceeded 2,500 hours volunteered in the first year.

2,500 hours

Our volunteering scheme exceeded 2,500 hours volunteered in the first year.

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.

We were sponsoring partners of Bristol Pride and St Paul's Carnival. We frequently host collections, both food and clothing donations for the Easton Food Bank, East Bristol Foodbank, Fareshare, and St Mungo's Charity. Additionally, we want to ensure women and girls don't have barriers to access education, helping to achieve greater economic equality, and are sponsors of the city wide initiative to end period poverty in Bristol, Period Friendly Places.

We have continued to support 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.

We take our responsibility to deliver financial inclusion and education seriously. We want to continue raising 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. Our financial inclusion 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.

The HL Charitable Foundation

The HL Charitable Foundation is the charitable arm of Hargreaves Lansdown. 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 enables us to raise money for charities who do all these things and more. The charities supported are nominated and selected by employees and shown below.

In its third full year, the Foundation distributed £110,000 between the five charities. Fundraising activities by colleagues include the ever-popular payday lottery, bike rides, cake and other food sales, and sports tournaments.

From January 2020, the HL Foundation has supported Help Bristol's Homeless as its main Foundation charity. Through the year long partnership, the HL Foundation is funding a new wellbeing centre, located at Help Bristol's Homeless centre.

As well as support to fundraising, we now 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**

The environment, sustainability and climate change

Building a lifelong, sustainable and responsible business.

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;
- 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 Environmental, Sustainability and Climate Change Group; and
- Aligning the Company strategy to support the delivery of the United Nations Sustainable Development Goals.

We take our responsibilities toward the environment and climate change seriously and continue to promote energy efficiency and the avoidance of waste throughout our operations, in accordance to our environmental policy .

Our business is fundamentally based on intellectual capital and conducts the majority of client transactions online and undertakes no industrial activities. Our environmental impacts as a business are primarily through the consumption of resources, emissions generated from our premises and employee business travel. We continually take action to reduce waste to landfill and energy consumption in order to reduce our impact on the environment.

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. Our programme of cyclical replacement of hardware and software aims to reduce 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. It is our 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, 81% of our clients now use our paperless service.

Where we do send out paper, such as our flagship magazine the "Investment Times", we try to use sustainable resources and minimise our use of plastic. The Investment Times is now sent in recyclable paper envelopes rather than degradable plastic. We have saved the equivalent of 2.45 million plastic bags through changing our Investment Times packaging.

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 an ethical fund in our Wealth Shortlist. There are more than 150 socially responsible investments on the platform (including funds, ETFs and Investment Trusts).

We recognise that climate changes poses a risk to our business and to client outcomes. We are currently in the process of aligning to the Taskforce for Climate-related Financial Disclosures (TCFD). By mapping our activities against the TCFD framework we are ensuring we implement activities against strong governance, strategy, risk management and their targets and metrics frameworks.

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 will be disclosing to the TCFD in 2022. We aim to continue to go the extra mile in this area and increase our participation in forums and industry collaboration.

The importance of climate change at HL has led to the development of our internal Environment, Social and Governance (ESG) committee this year, 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:

- Reduced waste by 12%;
- Improved recycling initiatives – 100% of the general waste and mixed recycled packaging disposed of in our head office is recycled;

> We take our responsibilities toward the environment and climate change seriously and continue to promote energy efficiency and the avoidance of waste throughout our operations, in accordance with our environmental policy.

BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

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

12%

We reduced waste by 12%

10%

For the year ending 30 June 2020 our emissions per employee decreased by 10%

- Improved integration of sustainable procurement processes;
- Set our Environmental Policy and considerations; and
- Newly formed ESG working group as part of Corporate Affairs Group.

We shred and recycle confidential waste, recycle 100% of our general waste and have even set up a crisp packet recycling scheme to ensure that we can recycle as much waste as possible. This is supported by running educational talks to promote recycling, from external speakers such as Bristol Waste, City to Sea and Geneco. We donate old office and IT equipment to schools and charities where appropriate or dispose of via specialist third parties.

We provide the facilities within our office to allow employees to engage in sustainable behaviours such as through bicycle storage, free bicycle maintenance checks and amenities such as changing rooms to support more sustainable travel to work. This year, we have increased the allowance available for the Cycle to Work Scheme which we are part of, and offer season ticket loans for employees to use public transport.

Our Financial Advisers are spread throughout the UK which minimises travel time and carbon emissions. We do not provide company cars to managers or to our network of advisers. We provide a telephone advice service where a face-to-face meeting is not required. More colleagues are now able to work from home using laptops, which, as well as consuming less power than desktop computers, reduces the need for work related travel . As a result of the COVID-19 lockdown period, we moved the majority of our colleagues to working from home. This has demonstrated how we can remain operationally resilient whilst maintaining a high quality client service. This allows us to explore further options of implementing colleague and environmentally friendly work patterns.

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. Our highly effective staff driven Environmental Working Group has adopted 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 also working on initiatives to reduce our consumption of greenhouse gas emissions, improve waste management and recycling, promote efficient use of resources and ethical sourcing where practical. Our future aims, for our environmental impact as a business, are focused on a fourfold approach:

- Science-based – results and decisions based on science based climate change targets;
- Reporting and monitoring – to increase reduction;
- Transparent – clear data recording, standards and process in preparation for external certification; and
- Continual improvement – adapting as a business.

Doing it better for the wider community: 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.

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 creating a sustainable city, we source 100% of our energy from renewable sources. HL colleagues have the opportunity to volunteer in projects which have a positive impact on the environment, such as "One Tree Per Child" and the "Incredible Edible" project.

United Nation Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) 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.

Greenhouse gas emissions

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 CO_2 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 2020 are set out in the table below (as per 2019 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 for and used in operating its premises.

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 2020 our emissions per employee decreased by 10%.

	Tonnes of CO_2e		
Emissions from:	**Current reporting year 2019-2020**	**Comparison year 2018-2019**	**Change**
Scope 1 – Combustion of fuel and operation of facilities	**1001.7**	992.1	+1%
Scope 2 – Purchased energy for own use	**827.7**	1,009.6	-18%
Tonnes of CO_2e per average full-time equivalent employee	**1.14**	1.27	-10%
Energy used (MWh)	**4,985**	4,948	+1%

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 2020 was £99.5 million (2019: £59.5 million). 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**.

COVID-19 response

This year, on a previously unprecedented scale, the world has had to deal with the issues from the COVID-19 crisis. Like so many others we have felt the need and a real desire from within the business to help where we can. Our response to the crisis has focused on three areas: our colleagues, our clients, and our community.

Our colleagues

Our colleagues provide essential services to over 1.4 million clients. We look after their investments, pensions, and savings. At times like these, clients need our support to be able to access our service, to move money in and out of their account, and to manage the investments they hold with us. In line with government guidance, we've had to make some big changes to the way we deliver those services. A working from home initiative has been rolled out, allowing us to best protect the health of our colleagues and their families. We've also introduced a number of other initiatives to support our colleagues in looking after their families' physical, mental, financial, and social well-being.

HL has not sought any government assistance, nor have we furloughed any employees or enacted any redundancy programmes. Such schemes and government assistance we believe should be reserved for those businesses in genuine need.

We believe that continuing to provide our colleagues with a stable job and secure source of income is one of the best ways that we can help them and their families at this difficult time and in turn that will help in delivering a continued excellent service for our clients.

Our clients

Whilst we've had to adapt to a new way of working, some things haven't changed. The security of our service and protecting our clients' assets and data is our top priority. We have the right people, technology, and control framework in place to ensure that this continues in spite of the shift to our new configuration of working. Actions include:

- Made managing accounts online easier, by improving how clients add/withdraw money from their accounts;
- Produced more research updates to support investors, including an in-depth analysis of each major investment sector and our experts' research and guidance on what to do during periods of market volatility;
- Updated our guidance and emailed all clients to make them aware of the heightened risk of scams;
- Posted our most helpful reads to clients that don't have online access;
- Increased the number of people on our phone lines for those that can't self-serve online and need to speak to us; and

CORPORATE SOCIAL RESPONSIBILITY
BUILDING A LIFELONG SUSTAINABLE AND RESPONSIBLE BUSINESS

- Prioritised our services in line with what's most important to our clients.

Our community
Whilst the business has focused on providing the help and support our clients and colleagues need through this period of extended uncertainty, our charitable arm, The Hargreaves Lansdown Charitable Foundation, has also stepped up its support through the crisis.

This has included maintaining our support for our existing partner charity, Help Bristol's Homeless, whilst also setting up a COVID-19 relief appeal to support our local NHS charities.

What have we done so far?

- Re-directed the office fruit delivery to Feed Bristol's Homeless, via the Bristol Sport Foundation, to support their community efforts;
- Made a donation to the NHS Nightingale Hospital Bristol, to help build a canteen and rest area for staff;
- Made a donation to FareShare to ensure vulnerable people still have access to food and that children continue to receive their free school meals; and
- Offered volunteering and funding support for Bristol Learning City's 'Doorstep Library' initiative which provides books, pens and paper to disadvantaged families.

Our colleagues have supported these initiatives through various fundraising activities, donating via JustGiving, and through Payroll Giving. To boost our colleagues' fundraising efforts, HL has committed to double match donations colleagues make directly from their salary. This has been popular and is a testament to the HL culture.

Money raised will be split between Above and Beyond, the charity behind Bristol's City hospitals, and Southmead Hospital, which has one of the busiest ICUs in the country.

We have also 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 our priorities of clean and inclusive growth.

> “At times like these, clients need our support to be able to access our service, to move money in and out of their account, and to manage the investments they hold with us.

1.4M

Our colleagues provide essential services to over 1.4 million clients.

Sustainable development goals

PUTTING CLIENTS FIRST

Client focus

We wanted to better understand how people find investments and make investment decisions. We turned to our clients and listened to over 8,000 through focus groups, surveys, and telephone interviews.

Clients were unsure how certain funds made it onto our fund list. So we improved the transparency of our research and fund selection process. Clients wanted to ensure their portfolios were diverse, so we have offered additional guidance on how a fund can fit into a portfolio.

Clients told us they wanted a wider range of ethical funds, so we broadened our range and introduced more passive and ESG options.

Clients expressed that charges were a key part of their search criteria, so we have made it easy to compare a fund's charges against its peers.

The Wealth Shortlist and Fund Finder tools have been developed through listening to our clients. We put the clients first, we do it better, and we make it easy.

NON-FINANCIAL INFORMATION STATEMENT

A WIDE RANGE OF STAKEHOLDERS

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 report on Corporate Social Responsibility 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.	The environment, sustainability and climate change and Greenhouse gas emissions pages 47 to 49.
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 Corporate Social Responsibility 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 Corporate Social Responsibility 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 41 to 45 and 49. Nomination Committee Report page 101.
Social	Our report on Corporate Social Responsibility 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.	Community, Tax Strategy and COVID-19 Response pages 46 and 49 to 50.
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 report on Corporate Social Responsibility.	Employees and Human Rights pages 41 to 45.
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 report on Corporate Social Responsibility.	Anti-bribery and corruption page 45.

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)	25 to 29
Description of the business model	Business model	4 to 5
Non-financial key performance indicators	Strategy and KPIs	18 to 20

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

Chris Hill
Chief Executive Officer

GOVERNANCE

CHAIR'S INTRODUCTION TO CORPORATE GOVERNANCE

RETAINING FOCUS ON OUR VALUES

"We are committed to delivering strong corporate governance and creating sustainable value for our stakeholders."

Deanna Oppenheimer
Chair

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.

This year is the first in which we have been required to apply and report on the 2018 UK Corporate Governance Code (the Code). We support the changes introduced by the new Code, in particular the increased focus on our culture and strengthening the voice and engagement of our people.

The output of our recent internal culture audit combined with increased engagement with colleagues has identified opportunities for future development as we continue our work on embedding our core values and culture. You can read more about the evolution of our culture on page 59 of the Corporate Governance Report and on pages 38 to 51 of the Strategic Report.

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.

Board changes

The Board welcomed John Troiano as a new independent Non-Executive Director during the period under review. John was formally appointed on 1 January 2020 and brings significant experience in investment and asset management having spent 38 years with Schroders, including roles in investment research and analysis, as well as fund management and distribution. In addition to his appointment to the Board, John was also appointed as a member of the Board's Risk Committee, and as an independent Non-Executive director of Hargreaves Lansdown Fund Managers Ltd, a principal operating subsidiary of the Group that manages the HL Multi-Manager and Select fund ranges. We are delighted to have John working with us. The expertise he brings to each of his appointments reflects the Group's ongoing focus on ensuring strong governance and he has already made valuable contributions to the development of the Group's approach to investment oversight and strategy.

As at the date of this report, the Board's Nomination Committee is in the advanced stages of recruiting up to two additional independent Non-Executive Directors, with the aim of building resilience into and aligning the Board's skillset to the future strategic needs of the Group's business. The recommendations of the Hampton-Alexander and Parker reviews are being closely considered as part of the recruitment process, and we hope to be in a position to announce the outcome early in the new financial year. You can read more in the Nomination Committee Report on pages 99 to 104.

As announced in August 2019, Jayne Styles stepped down from the Board on 10 October 2019, having spent four years as a Non-Executive Director of the Company. I would like to reiterate, on behalf of the Board, our gratitude to Jayne for her dedication and contribution to the Group during her tenure with us.

The Code lists service on the Board of more than nine years as being a factor to take into account when assessing the independence of Non-Executive Directors. Having first been appointed to the Board in October 2011, Stephen Robertson has therefore decided that he will not be seeking re-election at this year's AGM. Stephen has made an enormous contribution to the Group during his time with us, bringing considerable client experience as well as good humour and sharp insights to Board discussions. He leaves with our thanks and best wishes for the future.

Fiona Clutterbuck has also decided to step down from the Board and will not be seeking re-election at this year's AGM. As Chair of the Remuneration Committee, Fiona has made an invaluable contribution in overseeing improvements in the process and structure for remuneration at all levels throughout the organisation. I would like to thank her for her hard work and dedication and wish her well for the future.

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 41 to 43 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 102 of the Nomination Committee Report.

In relation to gender diversity, 33% of our Board are currently women.

Governance framework

Following an in-depth review of the Group's governance framework last year, the Group has implemented 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, this has included:

- An increased emphasis on the roles of the boards of the Group's principal operating subsidiaries and the framework that supports them;
- The reassignment of the responsibilities of the old Board Investment Committee to the boards of the Group's regulated operating subsidiaries to promote the focused oversight of investment decision making within their respective businesses; and
- The establishment of a Conflicts Committee to provide focused oversight of improvements to the Group's framework for identifying and managing conflicts of interest.

In response to the COVID-19 pandemic, the Board has also supported the establishment of a dedicated Crisis Management Committee with delegated responsibility to ensure action can be taken quickly and effectively in response to the operational challenges posed. The Board also supported consequential changes to the operation of governance forums elsewhere in the Group's framework to promote efficiency and flexibility whilst ensuring continued adherence to good governance practices.

Senior Managers & 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. You can read more on page 62 of the Corporate Governance Report.

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 for the first time 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.

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.

In the period under review we have continued to 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.

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 113 to 115.

Deanna Oppenheimer
Chair

6 August 2020

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, NCR Corporation 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
Senior Independent Director of Tesco plc

Non-Executive Director of Whitbread plc

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. 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

Senior Independent Director

Shirley Garrood
Senior Independent Director

Appointed to the board
October 2013

Skills and experience
Shirley has extensive and relevant Executive and Non-Executive financial services experience. A chartered accountant, she served as Chief Financial Officer and Chief Operating Officer at Henderson Group plc and as an Executive Director at Morley Fund Management (Aviva). She also has broad experience as a Non-Executive Director, chairing committees of esure Group plc and the Peabody Trust, a G15 housing association.

Committee membership
Risk Committee (Chair)

Nomination Committee

Remuneration Committee

Other current appointments
Non-Executive Director and Chair of the Audit and Risk Committee of the BBC Board

Independent Non-Executive Member of the Deloitte UK Oversight Board, with responsibility for external audit only

Non-Executive Directors

Fiona Clutterbuck
Independent Non-Executive Director

Appointed to the board
September 2017

Skills and experience
Fiona is a qualified barrister with extensive corporate finance experience. During her career, Fiona has held the positions of Head of Strategy and Corporate Development at Phoenix Group, Managing Director and Head of Financial Institutions Advisory at ABN AMRO Investment Bank, Managing Director and Global Co-Head of Financial Institutions Group at HSBC Investment Bank and was a Director at Hill Samuel Bank Limited. She was also a Non-Executive Director at W.S. Atkins until its acquisition in July 2017.

Committee membership
Remuneration Committee (Chair)

Audit Committee

Risk Committee

Nomination Committee

Other current appointments
Non-Executive Chair of the Board and Nomination Committee of Paragon Banking Group plc

Non-Executive Director of Sampo plc

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

BOARD OF DIRECTORS

Non-Executive Directors

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 and Electra Private Equity plc. Roger has served on a number of different boards and their committees, including chairing the Audit Committee at Evolution Group plc and Nationwide Building Society, where he also served as the Senior Independent Director.

Committee membership
Audit Committee (Chair)

Risk Committee

Nomination Committee

Other current appointments
Non-Executive Director and Chair of the Audit Committee at TP ICAP plc

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

Stephen Robertson
Independent
Non-Executive Director

Appointed to the board
October 2011

Skills and experience
Stephen has broad marketing and digital skills and experience derived from a career in the retail sector, serving 15 years on the boards of major UK retailers and then as Director General of the British Retail Consortium. Stephen has a keen interest in the client experience and has well-honed people skills.

Committee membership
Audit Committee

Risk Committee

Remuneration Committee

Other current appointments
Non-Executive Director of Timpson Group plc

Chair of Bristol Energy Ltd

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

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

CORPORATE GOVERNANCE REPORT

PROMOTING THE SUSTAINABLE SUCCESS OF THE GROUP

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 62 of this report and in the Group's Section 172 Statement on pages 113 to 115. 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 22 to 29 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. During the period under review the Board approved an action plan to capitalise on the opportunities to develop the Group's culture identified following an internal culture audit and feedback from colleagues. Key initiatives include the development of a code of conduct setting out behavioural expectations for colleagues that align to the SMCR conduct rules, 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 recent implementation of SMCR and improvements to the Group's governance framework also 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 pages 38 to 51 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 30 to 31 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 113 to 115.

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 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 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.

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.

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. Given the challenges posed by the ongoing COVID-19 pandemic and the restrictions on public gatherings, as at the date of this report the Board is considering 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.

Withdrawal of resolution at AGM
Following engagement with a significant shareholder leading up to last year's AGM, the Board took the decision to withdraw the proposed resolution to obtain precautionary approval from shareholders to make political donations and incur political expenditure, within defined minimal limits, should any such expenditure (as defined by the Companies Act 2006) be made in the normal course of business. At the time, the Board noted that seeking this approval is standard for FTSE 100 companies, and there was and remains no intention for the Company to make any political donations or incur political expenditure.

However, the Board recognises that the withdrawal of a resolution is rare and has continued to consider the position and engage with shareholders on this matter as part of wider conversations around governance.

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 pages 41 to 45 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 75 and 87.

Further insight is obtained on colleague views through the Group's annual colleague survey, and half yearly pulse surveys. In response to the 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 pages 31 and 44 to 45 of the Strategic Report and in the Section 172 Statement on pages 113 to 115.

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 71 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.

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 61. 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 67 to 108. 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. During the period under review, the Chief Executive Officer has also established the Conflicts Committee to oversee improvements to 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 61.

The Group's principal operating subsidiaries carry out its business of providing regulated financial products and services. The boards of the principal operating subsidiaries are predominantly comprised of 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.

Governance framework

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

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

Chief Executive Officer

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

Group Executive Committee

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

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

CORPORATE GOVERNANCE REPORT

Senior Managers & Certification Regime (SMCR)
During the period under review, the Group's principal operating subsidiaries that are subject to the SMCR regime took the action necessary to implement and meet their respective regulatory obligations ahead of the regime coming into force on 9 December 2019.

Under the regime, Hargreaves Lansdown Asset Management Limited is an 'enhanced' firm, with Hargreaves Lansdown Fund Managers Ltd and Hargreaves Lansdown Advisory Services Limited being 'core' firms.

As part of the implementation, the colleague population subject to the regime was identified and reviewed. Those falling within the senior managers regime were formally allocated prescribed responsibilities, and their roles and responsibilities clearly documented in statements of responsibility. A reasonable steps framework has also been developed for all senior managers to document the measures taken to manage their responsibilities effectively. Colleagues within the scope of the certification regime were identified, and assessments carried out to certify that they are fit and proper to perform their roles.

The Group will continue to embed the regime within its culture and governance framework, including the conduct rules that will apply to the majority of remaining colleagues when they come into force in the next financial year.

Board allocation of time and key Board activities

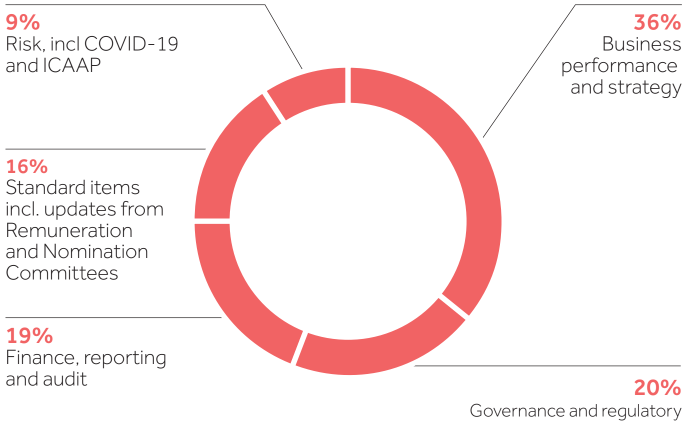
The Board devoted a significant amount of time during the period under review to overseeing the Group's business performance and the action being taken in pursuit of its strategic objectives. This has included regular updates from the Chief Executive Officer on business performance and progress of strategic 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 latter part of 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 also received regular updates on the Group's continued response to the suspension of, and subsequent decision by Link Asset Services to wind up, the LF Equity Income Fund (formerly Woodford Equity Income Fund). The Group's priority continues to be ensuring that clients affected are supported and kept informed of developments. In response to this event, the Board has overseen and supported the review and implementation of improvements to the governance framework around the Group's investment-related decision making, as well as improvements to policies and processes in support of the launch of the Group's updated fund best buy list, the Wealth Shortlist, in June 2020.

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 the Group's transformation programme, marketing, employee engagement and culture, and cyber security;
- Financial performance and investor relations, via the Chief Financial Officer's regular updates;
- The Group's liquidity and capital adequacy, and the approval of its 2019 ICAAP;
- Approval of the Group's three year operating plan;
- Continued embedding of, and improvements to, the Group's risk management framework and approval of its updated risk appetite statement;
- Improvements to the Group's system of internal controls;
- The Group's implementation of the SMCR regime;
- Approval of updates to the Group's key policies, including conflicts of interest 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.

Role of Senior Independent Director
The Senior Independent Director, Shirley Garrood, 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 well functioning;
- 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 Non-Executive Directors are all 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 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.

Meetings, attendance and information provided to the Board

Director	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	●●●●●●●●●	●●●●●●●●●
Fiona Clutterbuck	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Shirley Garrood	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Chris Hill	Executive Dir	●●●●●●●●●	●●●●●●●●●
Philip Johnson	Executive Dir	●●●●●●●●●	●●●●●●●●●
Dan Olley	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Roger Perkin	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Stephen Robertson	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Jayne Styles	Non-Exec Dir	●	●
John Troiano	Non-Exec Dir	●●●●●	●●●●●

CORPORATE GOVERNANCE REPORT

The Board met nine 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. When a Director is unable to attend all or part of a meeting, he or she is able provide comments on the papers to the Chair before the meeting.

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. The Non-Executive Directors also meet periodically without the Executive Directors present. During the period under review this has included sessions at the start of Board meetings, as well as dinners and more latterly informal meetings by video conference.

The Board also met with members of the Group Executive Committee and other senior management during the period under review, including a formal dinner with the Group Executive Committee and a dedicated 'strategy day' to consider in detail how client outcomes should evolve given the Group's strategy for 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 Fiona Clutterbuck, Shirley Garrood, Dan Olley, Roger Perkin, Stephen Robertson and John Troiano are independent, and that Jayne Styles was, until her resignation on 10 October 2019, independent, in each case when assessed against the criteria set out in the Code. 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 pages 103 to 104. Neither of the Executive Directors currently holds any significant external appointments.

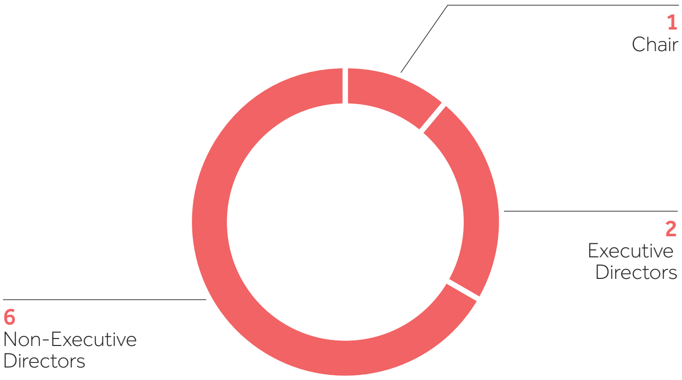
Composition, succession and evaluation

Board composition, balance and diversity

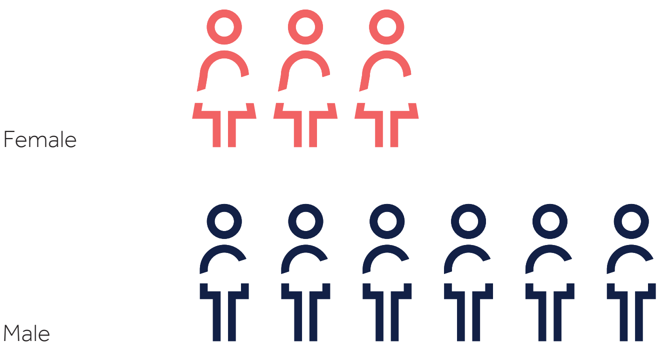
The Nomination Committee regularly reviews the size, structure and composition of the Board and its Committees to ensure an appropriate and diverse mix of skills, experience, knowledge, backgrounds and personal strengths. The Non-Executive Directors have strong and relevant experience across all aspects 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.

The Board recognises the importance of diversity of thought, gender, social and ethnic backgrounds. Promoting ethnic diversity is a key priority for the Board for the next financial year as it works towards meeting the recommendations of the Parker Review. 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 99 to 104.

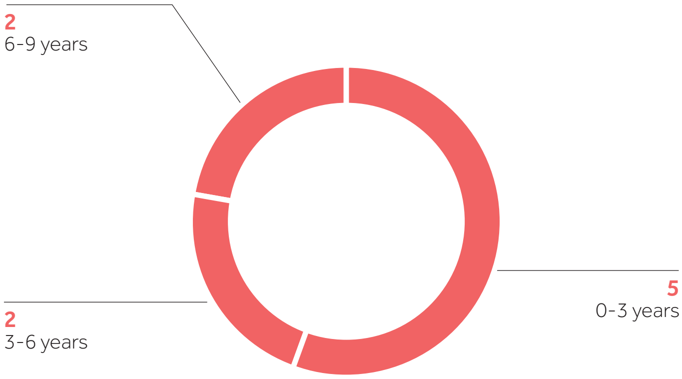
Board composition



Board diversity



Length of tenure



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.

Having first been appointed to the Board in October 2011, Stephen Robertson will be standing down and will not seek re-election at the 2020 AGM.

Director election and re-election

In accordance with the requirements of the Code and the Company's Articles of Association, all Directors (other than Stephen Robertson and Fiona Clutterbuck who have decided to step down) 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 99 to 104. 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.

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 99 to 104.

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.

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.

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 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 internal online training and bespoke Board training on relevant topics such as SMCR and updates on the wider market. 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 the Group's transformation programme, marketing, colleague engagement and culture, 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 99 to 104.

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 67 to 72. 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 112 of the Directors' Report and the Statement of Directors' Responsibilities on page 116 respectively.

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 22 to 29 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 22 to 29 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 page 71 of the Audit Committee Report and pages 106 to 107 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.

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 73 to 98.

AUDIT COMMITTEE REPORT

ENSURING THE CONTINUED INTEGRITY OF THE GROUP

> Focus on financial reporting and effectiveness of the internal control framework

Roger Perkin
Chair of the Audit Committee

Attendance at Committee meetings during the year to 30 June 2020

Member	Position	Meetings eligible	Meetings attended
Roger Perkin	Chair	●●●●●	●●●●●
Fiona Clutterbuck	Non-Exec Dir	●●●●●	●●●●●
Stephen Robertson	Non-Exec Dir	●●●●●	●●●●●
Jayne Styles[1]	Non-Exec Dir	●	●

1 Jayne Styles stepped down as a Director on 10 October 2019.

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.

It has been a period of significant uncertainty for the UK economy, and although the results of the general election provided some certainty on the UK's departure from the EU on 31 January 2020, the situation has been eclipsed by the unprecedented impact on the global economy of the COVID-19 pandemic. The Committee's focus during this period has been on financial reporting and the maintenance of the Group's internal control framework to continue to support good client outcomes and protect against client harm.

In carrying out its oversight of the Group's financial reporting during the year, the Committee has paid particular attention to the changes to the accounting standards applicable to the Group (notably the application of IFRS 5 to the sale of FundsLibrary Limited and IFRS 16 to the Group's leases) and the implementation of a new Enterprise Resource Management system, as part of the continued improvement of the Group's internal controls associated with the preparation of its financial statements.

The Committee has continued to oversee the effectiveness and independence of the external auditor. This year's audit is the last for Alex Bertolotti, the Group's lead audit partner. On behalf of the Committee, I would like to thank Alex for all his hard work over the past five years and welcome Darren Meek, who will be taking over from next year's audit. Darren can serve for a maximum of three years before we are required to put the external audit mandate out to tender.

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.

Given the challenges posed by the ongoing COVID-19 pandemic and the restrictions on public gatherings, at the time of writing the Board is considering all options as to what format this year's AGM will take and how shareholders might be given the opportunity to ask questions relating to the Committee's work. Further details will be set out in the Notice of AGM.

AUDIT COMMITTEE REPORT

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**.

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), Fiona Clutterbuck and Stephen Robertson, each of whom is an independent Non-Executive Director, were members of the Committee throughout the period under review. Jayne Styles was a member of the Committee until her resignation as a Non-Executive Director on 10 October 2019.

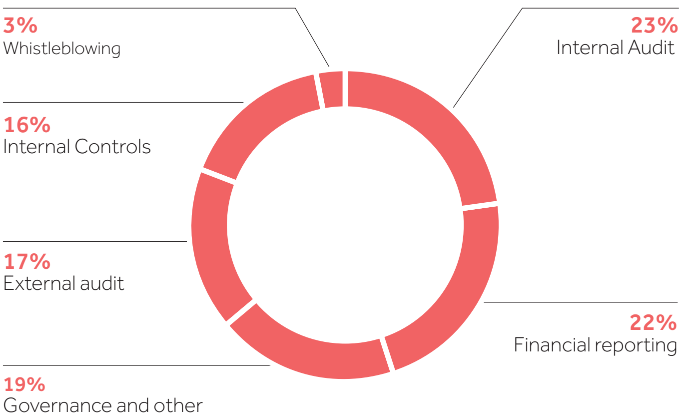
Committee appointments are made for three-year terms and can be extended for no more than two additional three-year terms, provided that the member remains independent. Committee membership is regularly reviewed by the Committee Chair, who makes suggestions for appointments to the Nomination Committee, 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 and Fiona Clutterbuck have significant experience of the asset management sector and the wider financial services industry, and Stephen Robertson has obtained a detailed understanding of the Group's business during his tenure as a Non-Executive Director of the Company. 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 June meeting on developments in audit best practice, including an update on the FRC's consultation on the future of audit.

The Committee met five times in the period under review. The attendance of members at each meeting is set out in the table on page 67. 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 Head of Internal Audit 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.

Time spent on key areas of responsibility



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 adoption of IFRS 16 (Leases), which has been applied for the first time by the Company in its interim and full year financial statements for the period under review; and
- The application of IFRS 5 (Non-current assets held for sale and discontinued operations) in relation to the Company's disposal of its interest in FundsLibrary Limited on 29 February 2020.

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:

- 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 fully recalculate the Group's significant revenue streams and carry out sample testing on the remainder. Following its review of the Group's 2019 Report and Financial Statements, the Committee has overseen correspondence with the FRC's Corporate Reporting Review team around the Group's policy on advisory revenue recognition on client funds disclosures. The FRC's helpful recommendations on disclosures have been taken into account in the preparation of the 2020 Report and Financial Statements. At the FRC's request, it should be noted that its review was based solely on the published Report and Financial Statements and that it accepts no liability for reliance on that review.
- Capitalisation of intangible assets. The Committee reviewed and agreed the appropriate accounting treatment for capitalising development costs associated with the Group's Active Savings proposition, improvements to the Group's core IT systems, and developments associated with improving its content management system and robo-advice capability. As a connected matter, the Committee also considered the results of the annual test for impairment of the goodwill attributed to the acquisition of shares in Hargreaves Lansdown Advisory Services Limited, which again confirmed that no impairment was required. Full details of the value of intangible assets capitalised and the policies applied can be found in notes 2.1 and 2.2 to the consolidated financial statements on pages 136 to 138.
- Tax. The Committee received reporting on and considered tax matters impacting the Group, including FATCA reporting, the implications of the outcome of the Upper Tier Tribunal's decision on the taxation of loyalty bonuses and correspondence with HMRC around partial exemption special methods used for the calculation of VAT.
- Brexit and COVID-19. The Committee continued to consider the potential impact of Brexit on the Group's performance and financial reporting. Whilst the general election in December 2019 gave some certainty to the UK's departure from the EU on 31 January 2020, this has been eclipsed by the unprecedented impact of the COVID-19 pandemic on the global economy since March. As a result, 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 judgments made in connection with its preparation.

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 and qualifications 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 24.

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 116.

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 in 2013. 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. At its January meeting, 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.

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 2018/19 AQR inspection report. The views of the external auditor were also sought at the Committee's meetings, which included a session 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 services which the external auditor is prohibited from providing to the Group and, other than services which are not prohibited, 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 and the EU Audit Reform Directive, 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**.

During the period under review, the Group incurred non-audit fees with the external auditor amounting in aggregate to £222,330 (2019: £216,854). Of this amount, £155,984 related to FCA-mandated assurance reporting to the Group's subsidiaries that are subject to the CASS regime (2019: £150,383), £34,653 related to profit verification work to enable the Company to pay dividends in line with its established timetable (2019: £34,600) and £27,319 related to the external auditor's review of the Group's interim results (2019: £26,500). The profit verification work and the interim review are non-audit services and they, along with the £5,464 relating to the non-statutory audits of the Group's employee benefit and SIP trusts (2019: £5,305), are taken into account when determining the ratio of non-audit to audit related fees. In each case, the rationale for using PwC over alternative suppliers was the knowledge, skills and experience they possess, and in particular their in-depth understanding of the Group's business.

Fees for the statutory audit for the period under review were £218,320 (2019: £210, 700), which includes fees of £12,320 for the non-UK statutory audit of HL Tech (2019: £10,700). For the purposes of determining the ratio of non-audit to audit related fees, fees relating to the audit of HL Tech are not taken into account. The ratio of non-audit to audit related fees for the period under review was therefore 31% (2019: 32%), which remains well within the limits set out in the Group's policy.

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 and the tender process for auditor appointments.

The Group appointed PwC as its external auditor following a tender process in 2013. It will therefore be required to undertake a formal, competitive tender process by 2023, being 10 years from the date of PwC's appointment. It is the Company's current intention not to put the external auditor appointment out to tender until it is required to do so. It is considered 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.

The lead audit partner for the period under review was Alex Bertolotti, whose tenure came to an end following the conclusion of the audit, this being his fifth year in the position. During the period under review, the Committee has overseen the process for appointing Darren Meek as the new lead audit partner, who shadowed this year's audit in preparation for next year.

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 challenged a report from the Group's Finance function setting out the processes and controls relied upon in the preparation of the financial statements. It also oversaw the implementation of a new Enterprise Resource Management system, as part of the continued improvement of the Group's internal controls associated with the preparation of the financial statements, and considered the potential impact of the new system on year end planning with the external auditor.

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 the results of the control testing 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 IT, change management, product 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. The Committee has also received the Head of Internal Audit'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 moving from a predominantly manual control environment to a more automated one. 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 compliance of the Group's Operations control framework with regulation. 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 as a whole. 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 in the final quarter of 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 receiving specific reports on how the business has ensured appropriate controls have been maintained in response to changes in working practices, and how 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 appropriate arrangements, actions and mitigating controls. The Committee has reviewed and approved the statements included in this Report and Financial Statements relating to risk management and longer-term viability on pages 22 to 29 of the Strategic Report and on the adequacy of the Group's internal control and risk management arrangements on page 66 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 framework, which included an external benchmarking exercise to assess governance, engagement and operational processes, and proposed changes to the procedures for raising concerns. This has included proposals for 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.

The Committee has also overseen the transfer of responsibility for the operation of the whistleblowing arrangements from the Group's Compliance Monitoring function to HR, to further distinguish between first and second line responsibilities.

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 Committee reviewed and approved minor updates 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. The Committee approved modifications to the Plan in April in response to the COVID-19 pandemic.

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 Head of Internal Audit 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 Committee also receives an annual assessment of the function's effectiveness from the Head of Internal Audit. Having considered that assessment 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.

In order to obtain additional assurance, the Chair of the Committee is currently overseeing the process for appointing an external evaluation of the function's effectiveness, which it is anticipated will take place in the first half of the next financial year.

The Committee continues to support the maintenance of the function's objectivity. It ensures the Head of Internal Audit has direct access to both the Chair of the Board and the Committee Chair, in each case without the involvement of Executive management, and receives reporting directly from the function. It is also the responsibility of the Committee Chair to set objectives for the Head of Internal Audit, 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 evaluation of its performance. This has included continuing improvement to meeting planning and preparation through a comprehensive forward agenda and planning for an external evaluation of the Group's Internal Audit function.

Audit Committee priorities for 2020/21

Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- Preparations for changes arising from the recommendations of the Business, Energy and Industrial Strategy Committee's inquiry into the future of audit;
- Planning for the application of the revised UK audit standard on going concern (ISA (UK) 570);
- The continued impact of changes to the political 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 to identify any action needed to continue to support good client outcomes and prevent client harm.

Roger Perkin
Chair of the Audit Committee

6 August 2020

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

OVERVIEW OF OUR REMUNERATION POLICY AND PHILOSOPHY

"Encouraging client-centric sustainable performance.

Fiona Clutterbuck
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present my report as Remuneration Committee Chair.

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 2020 business performance, improving gender pay and diversity, and developing our remuneration policy to reflect changes in the Code and in anticipation of 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 the Group's 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 high calibre colleagues who role model our culture and values;
- Reward client-centric sustainable performance aligned to our purpose and values;
- Recognise our colleagues who deliver exceptional client service;
- 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 promote the long-term success of the Company by supporting the business strategy, promoting high individual and team performance, and delivering value to our shareholders, without paying more than is necessary, whilst taking account of regulatory requirements, affordability and market conditions.

Review of Remuneration Policy

Having applied our remuneration policy for a third year, we have examined our approach and propose changes to reflect the evolving governance and regulatory requirements, shareholder feedback and the talent environment. We wish to ensure we have the right tools to recognise the contribution made by our executive team to the Group's success, and to enhance the alignment of our Executive Directors' interests with those of shareholders. Finally, the proposed policy is designed to support the execution of our strategy to retain market leadership and financial strength.

The Board and Executive management 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.

We have considered the appropriateness of the current policy and believe overall the existing structure works well. However, since the previous policy was approved, the Code has introduced new requirements for Executive Director pay, which are reflected in the updated policy to apply from 1 July 2020. At this time we will also seek to comply with requirements anticipated to be implemented by the FCA in line with the new Investment Firm Directive, which is expected to apply to the Group from 1 July 2021.

I would like to highlight the following changes:

- This year we have introduced weightings on our bonus performance measures to guide performance assessment and to enhance transparency of outcomes;
- To align with Code requirements, under the new policy, we will introduce a two year post-employment shareholding requirement and we have also updated our malus and clawback provisions;
- In response to pension annual allowance changes, we will be extending the current Company contribution matching for all colleagues to non-pension savings. This results in Executives receiving a contribution of up to 11% of salary, in line with the rest of the workforce;

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

- We propose to reduce the Chief Executive Officer's (CEO) target bonus level (phased over three years) so that it is 50% of the maximum opportunity in line with evolving shareholder expectations. To balance this reduction, from FY2022 we propose to increase the CEO's maximum bonus to 400% of salary;
- We propose to align the Chief Financial Officer's (CFO) target bonus to 50% of the current maximum for the same reason. This will ensure a consistent approach for both Executive Directors;
- We propose to simplify the operation of the Sustained Performance Plan by using a three-year performance period to improve alignment to the timing of our strategic objectives and to motivate the Executives to deliver against these (the five year vesting timeline remains unchanged);
- We have also updated the remuneration policy to ensure we have the ability to respond to all requirements the FCA may implement in line with the new Investment Firm Directive (i.e. an increase in the amount of variable pay subject to deferral, and awarding variable pay in instruments with a post vesting retention period). These requirements are expected to apply to variable pay awards for the performance year beginning on 1 July 2021;
- Given the increase in deferral rate coupled with the expected retention period that will apply to awards delivered in shares from that date, we propose to move to pro-rata vesting of the deferred bonus such that awards will vest one third each year over the three year deferral period. At each vesting point, shares will be subject to a retention period as required by the new regulation; and
- If we are required to deliver the upfront (non-deferred) bonus in cash and shares, this will be similarly reflected in the deferred element of bonus with delivery in a balance of cash and at least 50% in shares.

The majority of the above changes are required to comply with governance and regulatory requirements. In determining the additional policy changes, we have been mindful of the feedback from our shareholders gained via consultation meetings and correspondence. As a result, the above proposed changes take account of our shareholders' views and I trust the amendments to our policy adequately take into account concerns raised during consultation.

In particular, we are aware that the current base salaries of the Executive Directors do not adequately reflect the significant increase in scope and complexity of the Group and its impact on the Executive Directors' roles. However, we are very cognisant of the current market environment and future economic uncertainty which has led us to the view that any salary adjustment above the wider workforce median this year would not be appropriate or responsible.

Further details of these changes are set out in our revised remuneration policy.

Business context in 2020

This year saw consistent challenge in the external environment, with continued political uncertainty and low investor confidence throughout 2019, followed by the unique challenge presented by the COVID-19 pandemic in 2020. In addition, we have continued to support our clients and improve our processes as a result of the impact of the suspension of the Woodford Equity Income Fund at the end of last year. Despite this, 2020 saw a very strong performance, with net new business, client numbers and profit showing significant growth on prior year. This has been an exceptional outcome and delivered whilst we maintained excellent support for clients, colleagues and the community at this difficult time.

The strength of our business model is evidenced by our response to the COVID-19 crisis, where we have effectively managed the business through the crisis and supported our clients throughout. Over the past three years, we have deliberately invested into service, technology and operational resilience. This client-focused strategy has been validated by our ability to remain open for business throughout the COVID-19 crisis, supporting our clients through the period of market volatility and personal upheaval, and ensuring that all our core services remained available throughout.

Management actions enabled this proactive response to COVID-19, maintaining our client service whilst ensuring the well-being and safety of our colleagues. This included moving 85% of colleagues to work from home whilst ensuring effective social distancing between three sites for those colleagues who needed to be in the office. In keeping with our CSR strategy to 'Help Bristol thrive' we also focused on supporting our local community. Leading fundraising activities through our HL Foundation for Bristol homeless and NHS charities, double matching payroll giving over the period, donating to the Bristol NHS Nightingale Hospital and supporting the local economic recovery.

2020 saw us drive success despite the challenging external environment whilst also continuing to develop the business and build our proposition in line with our strategy. Net new business for the year was £7.7 billion and we added over 188,000 net new clients, taking us to over 1.4 million clients by the end of the financial year. The second half of our year was very strong with several record months for new clients and new business. This performance was supported by the decision to conduct our first multi-channel advertising campaign during the early months of 2020. Latest figures show that we have maintained our position as the market leader in the direct to consumer platform market with market share of 41.1%[1] whilst our share of the execution only stockbroking market has grown from 34.1% to 39.5%[2] .

Over the year, we continued to pursue development, expanding and diversifying our offering, with the delivery of several initiatives including the recent launch of our new Wealth Shortlist with associated fund tools. We have also continued to focus on ensuring the scalability of the business, commencing our Digital Transformation project and further enhancing our governance and risk practices across the Group.

Notes

1 Source: Platforum UK D2C Market Update (July 2020)

2 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2020

The Committee has taken account of the exceptional business performance delivered in the difficult external environment outlined above, the significant improvement to business capability and the strengthening of our corporate culture over the period. We also acknowledge the significant contribution made by both Chris Hill and Philip Johnson in driving this performance through their leadership and effective stakeholder management. The Committee recognises their excellent delivery against personal objectives. We have considered individual performance based bonus awards accordingly and are satisfied that the outcomes for the Executives reflect the performance of the business in the round and the experience of our stakeholders, without any need to apply discretion to adjust the 2020 bonus awards.

Further details on how bonuses have been determined for the 2020 performance year are set out in the annual report on remuneration.

Areas of focus for the forthcoming year

Looking forward, we continue to monitor remuneration developments within the asset management industry. During 2020/21, 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.

Gender pay and diversity

At HL, our diversity and inclusion objective is to build a diverse workforce at all levels and create an inclusive culture for all. Earlier this year, we launched our Diversity and Inclusion policy as having a diverse workforce and an inclusive culture positively impacts our clients, our business and our people.

Our diversity and inclusion strategic priorities aim to build awareness and engagement, address the gender diversity gap at senior levels and ensure all senior leaders support our robust expectations in this area.

Some clear successes to date include:

- 74% of colleagues surveyed feel that HL values and promotes employee diversity. This is +2% ahead of the FS norm;
- Introduction of colleague networks to raise awareness and drive engagement;
- Introduction of employee policies that better support a diverse workforce; and
- Increased rigour in our senior promotion and talent processes leading to an increased proportion of senior female promotions (33.3% of successful candidates were female in 2018 and 50% in 2019).

Our gender pay gap figures show that we have more than halved our mean gender pay gap, down from 28.8% in April 2017 to 12.9% in April 2019, and significantly narrowed the median bonus gap since 2017. However, both our median gender pay gap and mean bonus gap have increased marginally since 2017. Whilst we are pleased to have made some progress, we are aware that the root cause of the gender pay gap, the higher proportion of men in senior or higher paid roles, has not changed. This is why one of our strategic priorities for 2020 is to hire more, promote more and lose fewer senior women.

We have also:

- Rolled out unconscious bias training to all hiring managers;
- Made it easier for candidates to learn more about our family-friendly policies;
- Participated in the Women Ahead Mentoring programme;
- Continued the Career Confidence Mentoring Scheme; and
- Implemented a range of initiatives to increase fairness and consistency of our pay process.

Making progress in the diversity and inclusion 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.

Wider workforce

Over the year, we have adopted an 'Always Listening' strategy to enable us to better consider the voice of our colleagues when making decisions.

The HL Colleague Forum, set up in January 2019, focuses on key strategic decisions including: remuneration, culture and corporate strategy. On remuneration, the Forum sought to understand colleague views on a) the factors considered when setting executive remuneration, b) alignment with the wider pay approach used with all colleagues, c) share ownership and d) the difference in pay between the CEO and HL colleagues.

I attended the feedback session and was pleased to hear the positive response from colleagues regarding these topics. As part of the Forum, we also shared proposed changes to the wider remuneration approach and we were happy to note the enthusiasm with which colleagues responded to these proposals. I look forward to seeing the impact once the changes come into effect.

On a personal note, I have informed the Board that I do not intend to stand for re-election at the AGM in October. I will have completed a three year term on the Board and have immensely enjoyed contributing, inter alia, to the increased professionalism regarding the process and structure for remuneration at all levels throughout the organisation. I believe that the organisation's remuneration principles will be appropriately aligned with our strategy and values as a consequence of the implementation of the new remuneration policy. The recruitment for my replacement is well advanced, and I wish the business and my eventual successor all the very best over the coming years.

Contents of this report

On the following pages we set out:

- A revised Directors' Remuneration Policy which we will ask shareholders to approve at our AGM on 8 October 2020; and
- The annual report on remuneration. This will be subject to an advisory vote at the AGM.

On behalf of the Committee, I hope that you will support our proposed Policy at the 2020 AGM.

Fiona Clutterbuck
Chair of the Remuneration Committee

REVIEW OF DIRECTORS' REMUNERATION POLICY

Over the past year we have been examining our approach to remuneration. The new Directors' Remuneration Policy will be subject to a binding vote and approval by shareholders at our 2020 AGM.

Details of the main proposed policy changes have been highlighted in the following table. Certain changes are only proposed to take effect from the 2022 performance year, which is the first year we expect the FCA to implement requirements in line with the new Investment Firm Directive.

Element	Current policy	Proposed policy
Pension	Executive Directors receive a pension contribution of up to 11% of base salary, in line with the wider workforce.	• Where Annual Allowance limits and/or Lifetime protection has been taken, contributions can be paid in to an alternative employer savings vehicle, matched up to 11% of salary, in line with the wider workforce.
Annual bonus	Maximum bonus opportunity of 350% of base salary. On-target bonus opportunity disclosed as a percentage of salary in advance in the Directors' Remuneration Report each year (CEO 64%, CFO 45% of maximum in 2019/20). 40% of annual bonus is subject to compulsory deferral into awards over shares for a period of three years. No retention period is applied to vested shares.	• Move to on-target bonus opportunity of 50% of maximum opportunity for both Executive Directors. This is in response to shareholder feedback, and to ensure consistency with the wider workforce. • Given the material decrease in target opportunity, the CEO will reach this level through a phased reduction over three years, starting in FY2022 • To reflect the reduction to the on-target bonus for the CEO, from FY2022 it is also proposed that he will receive an increase in maximum opportunity to 400% of base salary. The maximum opportunity for the CFO will remain at 350% of salary. • Introduction of weightings for our performance measures, including individual performance, to guide performance assessment and enhance transparency of outcomes. • When required, deferral of total variable pay will increase to at least 60% in line with anticipated regulatory change. Variable pay awards delivered in shares will also be subject to any post-vesting retention period that is required under the new regulations. • Under the new regulatory requirements, it may be necessary to deliver each element of the bonus (including the upfront bonus paid following the end of the relevant performance year) at least 50% in shares. To balance the impact of this, deferred bonus awards would be delivered 50% in cash and 50% in shares. • To balance the impact of the retention period, vesting of deferred bonus awards will be in equal tranches of one third each year over a three year period. At each vesting point, shares will be subject to any retention period required under the new regulations.

Element	Current policy	Proposed policy
SPP	Maximum award of half times base salary. Awards vest over a five year period, subject to the achievement of underpinning performance conditions over the vesting period. No retention period is applied to vested shares. The grant of awards are subject to satisfactory personal performance of each Director in the period prior to grant.	• Proposing to simplify the operation of the SPP award, by using a three year performance period. • This will improve alignment to the timing of our strategic objectives and to motivate the Executives to deliver against these. • Five year vesting timeline remains unchanged. • Awards will also be subject to any post-vesting retention period that is required under the new regulations.
Shareholding guidelines	Directors have six years from appointment to the Board to achieve a shareholding with a minimum value of three times base salary. No formal post-employment shareholding guideline in place.	• All Executive Directors are expected to hold a number of shares in the Company with a specific market value within a reasonable time frame (typically within six years of appointment). • The requirement for the CEO and CFO will remain unchanged. • Introduction of a post-employment shareholding guideline that will operate for two years after an Executive Director steps down from the Board.
Malus and clawback	Malus and clawback provisions are in place for variable pay awards. The cash element of the bonus is subject to clawback until three years following the date of award and unvested deferred awards are subject to malus until the vesting date. SPP awards are subject to malus prior to vesting.	• Enhanced malus and clawback provisions will apply to annual and long-term incentive plans to ensure alignment with best practice, including the addition of corporate failure as a trigger. • For all variable pay awards, malus provisions will apply until vesting occurs, Clawback will apply to all awards until the later of three years following grant of an award and the end of any relevant vesting and retention period. See page 81 for further details.

DIRECTORS' REMUNERATION POLICY

The tables below summarise the elements of the remuneration package for Directors and will be effective from the date approved by shareholders in 2020 and will apply until shareholders next consider and vote on a subsequent policy (intended to be three years from the date of approval).

The Directors' Remuneration Policy is designed to ensure that remuneration supports the Group'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: • A change in the scope and/or size of 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 Group, 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.

Component/purpose and link to strategy	Operation and performance measures	Maximum opportunity
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	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. 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. For each performance element of the bonus, 25% of the maximum opportunity will be paid for the attainment of threshold performance. 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: • 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. 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. Awards will be delivered in an appropriate combination of cash and shares, in line with prevailing regulatory requirements, with a minimum of 50% delivered over HL plc shares. The combination of cash and shares will be determined each year by the Committee. Vesting will occur over a period of three years. Vested shares will be subject to a further retention period as required under regulation. 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. 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.	The maximum bonus opportunity for Directors under the policy is as follows: • CEO: four times base salary in respect of the relevant financial year; and • CFO: three and a half times base salary in respect of the relevant financial year.

Component/purpose and link to strategy	Operation and performance measures	Maximum opportunity
Sustained Performance Plan Aligns the interests of Directors with those of shareholders and rewards long-term stewardship of the Company.	Annual awards of 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. Awards will be granted 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 upfront in the remuneration report. 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. 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.	The maximum award each year under the Policy is half times base salary.
Shareholding guideline Aligns the interests of management and shareholders to the success of the Group	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 time frame (typically within six years of appointment). The current shareholding guideline for Directors is a minimum value of three times base salary. 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. Reflecting best practice, the Committee has adopted a post-cessation shareholding guideline, effective from the adoption of this new policy, 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.	Not applicable.

Choice of performance measures and approach to target setting

Annual bonus

The choice of the performance measures applicable to the annual bonus scheme reflects the Committee's belief that incentives should be appropriately challenging and tied to the achievement of financial and non-financial measures (including risk and other strategic measures) and key personal objectives, including behaviours aligned to our values.

The Committee reviews the measures each year and varies them as appropriate to reflect the priorities for the business in the year ahead. A sliding scale of targets is set for each measure to encourage continuous improvement and the delivery of above target performance.

SPP

As highlighted in the above table, the Committee will take into consideration prior individual performance when assessing the value of the SPP grant level for Executive Directors.

Forward-looking performance is measured against financial and non-financial performance underpins that reflect the Group's strategic priorities.

Discretion

The Committee retains the flexibility to make adjustments to the formulaic vesting outcomes of variable pay in instances where the outcome would otherwise not be reflective of the wider shareholder experience and/or materially inappropriate in the context of unexpected or unforeseen circumstances relating to the Group.

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 as follows:

- A material misstatement of the financial results of any Group Company or its funds;
- A material failure of risk management in any Group Company or a relevant business unit;
- Serious reputational damage to any Group Company or a relevant business unit attributable to the conduct of, or an act of omission by, the Award Holder or an Employee for which the Award Holder is or was responsible;
- A failure by the participant to identify any serious risks relating to any Group Company;
- A failure by the participant to implement appropriate controls for any serious risks relating to any Group Company;
- Corporate failure or significant downturn in financial performance; and
- An error in the calculation of the Award Holder's performance bonus in respect of which the award was made.

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside of this Directors' Remuneration Policy (including the exercising of discretion available in respect of any such payment) where:

- The terms of the payment were agreed before this Directors' Remuneration Policy came into effect, provided in the case of any payment whose terms were agreed before this Directors' Remuneration Policy became effective, the remuneration payment or payment for loss of office was permitted under the Company's relevant former Directors' Remuneration Policy at the time of agreement; or
- The terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company

For these purposes, 'payment' includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Approach to recruitment remuneration

The Committee will set a remuneration package for new Executive Directors determining the individual elements of the package and the total package taking account of the skills and experience of the candidate, the market rate, and remuneration levels across the Group, respecting maximum levels for variable pay referred to in the appropriate policy table.

Additional cash and/or share based awards on a one-off basis may be made as deemed appropriate by the Committee if the circumstances require, taking into account pay or benefits forfeited by a Director on leaving a previous employer. The Committee has the discretion to make such awards under the Sustained Performance Plan and in excess of the salary limits contained therein, or as permitted under Rule 9.4.2 of the Listing Rules (which allows companies to make one off share awards in exceptional circumstances, including recruitment). Such awards will, as far as possible, maintain consistency with the awards forfeited in terms of type of reward (shares or cash), expected value, time horizons and whether they were subject to performance criteria. Other payments may be made for relocation expenses, recruitment from abroad, legal costs, tax equalisation, other costs or benefits forfeited by an individual being recruited.

Service agreements and loss of office payments

All Executive Directors have a service contract which reflects the approved policy in force at the time of appointment.

The service contracts for all Directors in post are available for viewing (on the giving of reasonable notice) at our registered office during normal business hours and both prior to, and at, the Annual General Meeting. Under the terms of our Articles of Association, all Directors are subject to annual re-election by shareholders.

Service contracts do not have a specific duration but may be terminated with 12 months' notice from the Company or the Executive Director.

The service agreements contain provisions for payment in lieu of notice in respect of base salary and pension contributions.

The Committee has a policy framework for payments for loss of office by an Executive Director, both in relation to the service contract and incentive pay, which is summarised below. The approach of the Company on any termination is to consider all relevant circumstances, including the recent performance of the Executive Director, and to act in accordance with any relevant rules or contractual provisions.

Nature of termination:	By Executive Director or Company giving notice	By Company summarily	**Good leaver:** leaving by reason of death, ill health, injury or disability, redundancy, retirement with the agreement of the Committee, the sale of employing business or company, or other circumstances at the discretion of the Committee
Base salary, pension and benefits	Paid until employment ceases.	Paid until employment ceases.	Paid until employment ceases or in respect of notice period (subject to mitigation) depending on the reason for cessation. Discretion for Company to pay salary, pension and benefits in a single payment or in monthly instalments.
Annual bonus	No entitlement to annual bonus for that financial year.	No entitlement to annual bonus for that financial year.	Cessation during the financial year or after the financial year end, but before payment date, may result in bonus being payable subject to performance (pro-rated for the proportion of the financial year worked unless the Committee determines otherwise).
Deferred bonus award	Unvested deferred bonus awards lapse when employment ceases.	Unvested deferred bonus awards lapse when employment ceases.	Vested unexercised, and unvested deferred bonus awards, may vest and be exercised in accordance with normal terms. Committee has discretion to determine whether awards vest when employment ceases.
Sustained Performance Plan (SPP) awards	Within first three years of award grant, unvested awards lapse when employment ceases. After three years from award grant, unvested awards will continue to vest in full on the original terms subject to achievement of the performance underpins.	Vested unexercised, and unvested SPP awards lapse when employment ceases.	Within the performance period, unvested awards will vest in accordance with the original terms, on a pro rata basis for the period of time served as a proportion of the initial three years, subject to achievement of the performance underpins. Following the end of the performance period, unvested awards will continue to vest in full on the original terms.
Other payments	None.	None.	In appropriate circumstances, disbursements such as legal costs, outplacement services, relocation expenses and the cost of a settlement agreement.

Provisions on a takeover or other corporate events

In the event of a takeover or other corporate event, the Committee shall determine the amount (if any) of any bonus payable taking into account any applicable performance targets that have been achieved and any such factors as it considers appropriate given the curtailed performance period.

Unvested deferred bonus awards and outstanding SPP awards will vest at that time subject to, for SPP awards, satisfaction of any applicable performance conditions and pro-rated to reflect the length of the Performance Period which has been worked (with the Committee having discretion not to pro-rate or to reduce the pro-rate if it considers it appropriate to do so). Alternatively, the Committee may determine with the agreement of the acquiring company that awards may be exchanged for equivalent awards in another company.

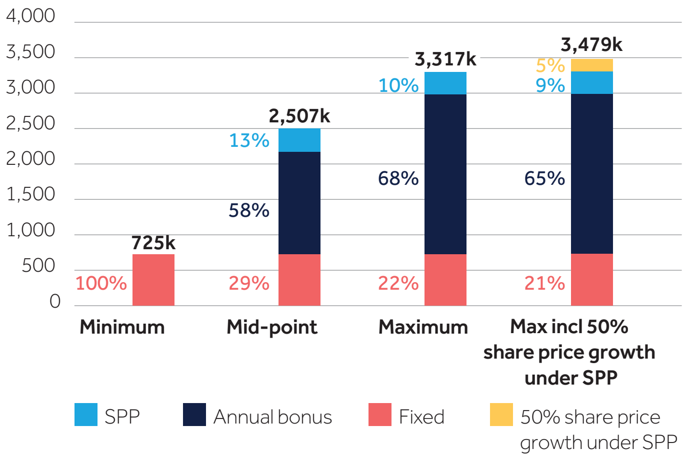
Illustration of application of Remuneration Policy

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, maximum and mid-point scenario as follows:

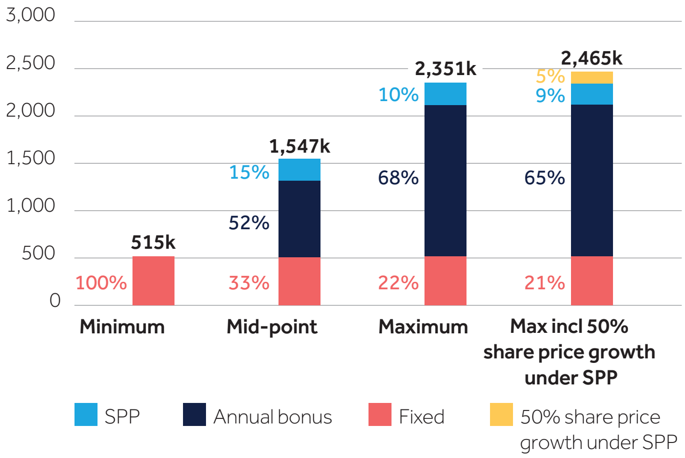
- The minimum amount represents the unconditional component of the remuneration package: salary, pension and employee benefits;
- The mid-point amount is the amount the Executive Director will receive if they achieve an on-target bonus level and awards under the Sustained Performance Plan vest in full. 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 above scenario charts, the final scenario on the right hand side sets out the impact on the SPP award of a 50% appreciation in Company's share price during the relevant period.

Chris Hill – Remuneration opportunity for 2020/2021 (£'000s)



Philip Johnson – Remuneration opportunity for 2020/2021 (£'000s)



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 subsidary 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.

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.

General

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 FTSE 100) and retain the fees received, provided that the appointment is not likely to lead to conflicts of interest.

Consideration of employment conditions elsewhere in the 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 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.

The HL Colleague Forum, set up in January 2019, focuses on key strategic decisions including, remuneration, culture and corporate strategy. On remuneration, whilst the Committee has not consulted directly on the proposed Directors' Remuneration Policy changes, the Forum was asked its views on a) the factors considered when setting executive remuneration, b) alignment with the wider pay approach used with all colleagues, c) share ownership and d) the difference in pay between the CEO and HL colleagues.

The Committee is regularly updated on the pay and employment conditions for the wider workforce through reports from the Reward Governance Committee and this provided context for its decisions regarding the Directors' Remuneration Policy.

The Committee also considers the wider salary increase, remuneration arrangements and employment conditions across the wider employee population when considering Directors' pay and awards.

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 Group'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, 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.

The Committee undertook a specific shareholder consultation exercise in relation to the development of this Policy in summer 2020, liaising with major shareholders and seeking engagement with the main proxy advisory bodies. Their feedback was taken into account in the finalisation of the Policy.

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 Guidance 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 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 Group Executive Committee, the Reward Governance Committee, as a sub Committee of the Group Executive Committee, consisting of the Chief Executive Officer, Chief Financial Officer, Chief People Officer and Group Director of Risk and Compliance which reviews individual remuneration outcomes and 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 proposed policy, the Committee was mindful of the 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. This year, the annual report has enhanced disclosure on variable pay. 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 proposed 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 (including 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 and are aligned to the strategy of the business.

Meetings during the year

There were nine scheduled meetings during the year and additional ad hoc meetings where required. All meetings were chaired by Fiona Clutterbuck. Other members were Deanna Oppenheimer, Shirley Garrood and Stephen Robertson.

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.

Attendance at Committee meetings during the year to 30 June 2020

Member	Position	Meetings eligible	Meetings attended
Fiona Clutterbuck	Chair	●●●●●●●●●	●●●●●●●●●
Deanna Oppenheimer	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Shirley Garrood	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●
Stephen Robertson	Non-Exec Dir	●●●●●●●●●	●●●●●●●●●

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:

- A detailed review of the Directors' Remuneration Policy in preparation for the AGM vote and considering our remuneration approach for 2020/21;
- Consideration of the Directors' remuneration report in the 2020 Report and Financial Statements, and all of the feedback received from institutional shareholders;
- Reviewing the 2019/20 Remuneration Policy implementation and updating our approach to business and individual performance measures, targets and weightings, also including a more detailed calibration process;

- 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;
- Reviewing and approving Executive Directors' objectives and performance measures;
- Reviewing the approach to proportionality and the approach for the identification of Material Risk Takers under CRD IV, AIFMD and UCITS V;
- Reviewing the remuneration policy for the wider workforce, including improvements in the approach to the year end pay and bonus to improve clarity, fairness and transparency for colleagues;
- Approving the annual Save As You Earn scheme invitation and terms;
- Approving a new delegation policy setting out circumstances under which the authority of the Committee can be delegated;
- 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 via the HL Colleague Forum;
- Reviewing the gender pay gap reporting covering the snapshot date of 5 April 2019 and noting management's action plan to address the gender pay gap; and
- Reviewing and approving retention awards and updated Terms of Reference for this Committee.

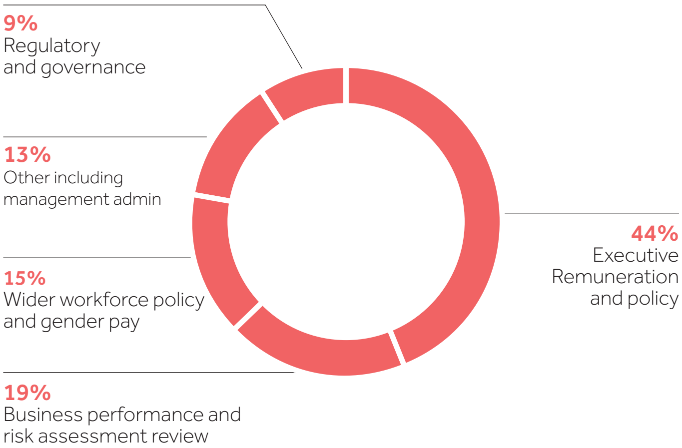
The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at **www.hl.co.uk/about-us/board-of-directors.**

Advice to the Committee

The Committee is supported by the Group Company Secretary, the Chief People Officer, the Head of Performance and Reward, and the Chief Executive Officer who are invited to attend Committee meetings to provide further background information and context to assist the Committee in its duties. No Director was involved in discussions regarding the determination of their own remuneration.

Throughout the year, the Committee has reappointed and been advised by Deloitte LLP, which is a signatory to the Remuneration Consultants Group's Code of Conduct for the provision of independent remuneration advice. The advisers review all Committee papers and provide input on matters directly to the Committee as well as attend all Committee meetings. As such, the 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 £83,700 plus VAT. Other services provided to the Group by Deloitte LLP during the year consisted of risk advisory, tax, consulting and internal audit services on a co-sourced basis.

Overview of activities during the financial year



Consultation with employees

The HL Colleague Forum was set up in January 2019 to create a feedback channel directly between colleagues and the Board on matters of strategic importance. The Forum has considered culture at HL, pay and development and corporate strategy.

The Forum was able to recognise the complexities associated with executive pay and the importance of aligning this to business performance and colleague satisfaction. Colleagues supported the share ownership incentive for Executives, noting that it was important they had 'skin in the game'. They also recognised the benefits of share ownership offered through our SAYE scheme.

As outlined in our Directors' Remuneration Policy, the Committee also considers the wider salary increase, remuneration arrangements and employment conditions across the wider employee population when considering Directors' pay and awards.

Executive Director remuneration for 2020

Remuneration payable for the 2020 financial year (1 July 2019 to 30 June 2020) (Audited)

The Directors' Remuneration Policy operated as intended in the financial year with remuneration received by Executive Directors in relation to performance in 2020 as set out below:

Single Total Figure Table

				Annual Bonus						
Name of Director	Year	Gross basic salary £'000	Other taxable benefits[1] £'000	Upfront cash £'000	Deferred shares £'000	LTIP/SPP[2] £'000	Employer pension contribution[3] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Chris Hill	2020	630	6	1,243	829	–	32	2,740	668	2,072
	2019	612	6	–	–	–	31	649	649	–
Philip Johnson	2020	446	5	870	580	–	22	1,923	473	1,450
	2019	434	1	–	–	–	22	457	457	–

1 This includes Medical, PMI and SAYE discount value over the term of this savings contract.
2 Sustained Performance Plan (SPP) is our Long Term Incentive Plan (LTIP), introduced in 2016/2017 and, subject to performance conditions, these will first 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.

Other than SAYE options (which are available to 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 Directors on the same basis as other employees. For 2020, 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 Director has a prospective entitlement to a defined benefit pension by reference to their length of qualifying service.

Assessment of annual performance for the 2020 financial year (1 July 2019 to 30 June 2020) (Audited)

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 agreed that financial and growth metrics should make up at least 50% of the business performance assessment and, in doing so, simplified the assessment to three key metrics as set out below whilst removing metrics that were duplicative.

In order to ensure a minimum 50% weighting towards the financial/growth business metrics, the remaining 50% is split 30% against the client, colleague and delivery business metrics and 20% against individual objectives. Again, in agreeing that client, colleague and delivery would make up 30% of the assessment, the Committee removed duplicative measures in order to improve their ability to appropriately assess performance.

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 2019 Report and Financial Statements:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225%	350%
Philip Johnson	156%	350%

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:

		Individual – 20%	
Financial/growth – 50%	**Client, colleague and delivery – 30%**	**CEO**	**CFO**
Net new business	Client retention	Strategic growth and client service	Sustainable financials
Client numbers	Colleague advocacy (engagement)	Culture, risk and governance	Strategy evolution and risk
Profit before tax	Strategic delivery	Reputation	Capability and delivery

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	£5.5bn	£6.75bn	£8.0bn	£7.7bn	88%	A strong overall performance with net new business just short of a very ambitious target and ahead of prior year (£7.3bn). The Committee noted the strong tax year end with record figures during March and April 2020 and recognised this very strong performance given difficult external market conditions in both halves of the year.
Client numbers	1,224,521	1,279,449	1,334,376	1,412,094	100%	Exceptional performance with 188,000 net new clients (133,000 last year) despite challenges in the first half of the year.. The Committee noted the impact of management actions through migrations and a very effective marketing campaign. The Committee also noted continued growth in market share (40.5% to 41.1% in the platform market and 34.1% to 39.5% in the UK execution only stockbroking market).
Profit before tax (excluding gain on the sale of Funds Library)	£292.4m	£314.5m	£336.5m	£339.5m	100%	The Committee noted exceptional performance through rigorous cost control, excellent focus on trading volumes and strategic decisions regarding investment. Statutory profit before tax of £378.3m (including gain on sale of Funds Library)
						Overall achievement 47.9% of 50% weighting

Client, colleague and delivery (30% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Client retention	90%	92%	94%	92.8%	70%	A strong overall performance with client retention remaining relatively consistent with previous periods although slightly below last year (93.6%). The Committee noted the measures put in place by management to retain clients.
Colleague engagement	56	58	61	63	100%	Exceptional performance supported by many other positive results from the colleague survey, including leadership, management and culture measures. The Committee noted the culture engagement programme, diversity and inclusion strategy and, in particular, the effectiveness of empathetic leadership through positive management of the impact of the COVID-19 pandemic.
Strategic delivery	0	50%	100%	100%	100%	The Committee noted very strong performance and a step change in delivery of the strategic delivery programme across transformation, technology, proposition, service and efficiency, regulation and operational infrastructure. In addition, the Committee noted the resilience of core systems together with agility in responding to and supporting clients and colleagues during the height of the COVID-19 pandemic.
						Overall achievement 27% of 30% weighting

The Committee assessed each individual Director's performance during the financial year, including against their personal objectives, as follows:

Chris Hill

Objective	Metrics	Achievement
Define and shape the business to deliver strategic growth whilst maintaining market leading client service	Assessment based on growth in market share and client advocacy (likelihood to recommend)	Outperformed on market share and positive improvement on client advocacy
Foster a diverse and innovative, results oriented culture that operates within an effective risk framework and well governed organisation	Assessment based on diversity, application of best practice and effectiveness of controls and processes	Excellent progress on all metrics with some outperformance
Proactively manage the reputation of the Group across all stakeholders	Assessment based upon a basket of measures contained within the reputation scorecard	Strong performance achieved

Summary:
The Committee concluded the CEO achieved a very strong performance. Notably his preparation, supported by the leadership team, ahead of the COVID-19 pandemic ensured record levels of business with significant numbers of colleagues working from home and remaining motivated and engaged. Learnings from last year have produced tangible results and he has made a significant contribution to performance throughout the year and, in delivering against his personal objectives, demonstrated a strong set of values, vision and talent in an extremely challenging environment.

Overall achievement 16.5% of 20% weighting

Philip Johnson

Objective	Metrics	Achievement
Shape a sustainable business model that delivers long-term financial results	Assessment based on delivery of strategic initiatives, capital and liquidity	Outperformed on strategic delivery (notably operational resilience and transformation projects) and very strong performance across all financial delivery, including personal oversight of Funds Library sale)
Provide leadership and direction to evolve and communicate the strategy within an effective risk framework	Assessment based on quality of investor relations, colleague engagement and audit, risk and compliance actions	Outperformed on investor relations and colleague with very strong performance across the risk and controls framework.
Balance resources and service levels to improve capability and delivery across functional areas	Assessment is based on client service metrics, including errors and complaints balanced against efficiency measures	Outperformed in all areas

Summary
The Committee determined that Philip Johnson has made a significant contribution to the financial success of the business through financial leadership and a robust focus on costs. Through achievement of his personal objectives, capital and liquidity remains strong to support an ambitious business strategy coupled with high service levels and strong investor relationships. Philip Johnson has made a significant contribution to performance throughout the year and, in delivering against his personal objectives, demonstrated a strong set of values, leadership and talent in an extremely challenging environment.

Overall achievement 18.5% of 20% weighting

Overall assessment and bonuses awarded for the financial year (1 July 2019 to 30 June 2020) (Audited)

The Committee considered all of the above in making their bonus determination for Chris Hill and Philip Johnson for the 2020 financial year. The Committee is satisfied that the outcomes for Executives reflect the performance of the business in the round and the experience of the Group's stakeholders, without any need to apply discretion to adjust the 2020 bonus awards.

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 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 concluded that the bonus outcomes for Chris Hill and Philip Johnson should 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 the Group's values.

The resulting bonuses determined by the Committee for the year ending 30 June 2020 are set out below:

	Cash £'000	Deferred £'000	Total £'000	% of maximum
Chris Hill 2020	1,243	829	2,072	94%[2]
Chris Hill 2019[1]	0	0	0	0
Philip Johnson 2020	870	580	1,450	93%[3]
Philip Johnson 2019[1]	0	0	0	0

Notes

1 In the prior year, Executive Directors informed the Committee that they did not wish to take any bonus for the 2019 performance year. The Committee accepted their decision and their awards were waived.

2 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 329% of salary which is 94% of his maximum opportunity

3 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 325% of salary which is 93% 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 for 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 that vest after three years provided they remain employed by the Group at exercise.

Share awards made during the year ending 30 June 2020 (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	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]	306,000	Nil cost option	20.21	15,141	306,000	306,000	n/a	1 July 2019 to 30 June 2024
Philip Johnson	SPP	216,732	Nil cost option	20.21	10,724	216,732	216,732	n/a	1 July 2019 to 30 June 2024

Notes

1 Face value is calculated as the share price at the date of grant multiplied by the number of options granted.

2 Fair value is calculated as the difference between market value and the exercise price at the date of grant.

3 Awards under the SPP were granted on 3 February 2020 with grant price relating to what would have been the original grant date on 20 September 2019, 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.

Due to the fact that Executive Directors waived their 2019 bonus awards, no awards were granted under the deferred share plan during the year to 30 June 2020.

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, 35% of The Group's employees owned shares in the Company. Both Executive Directors opted to participate in the 2020 cycle of the SAYE scheme.

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.

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 2019	Beneficially owned at 30 June 2020[1]	Outstanding subject to continued employment	Outstanding subject to continued employment arising from deferred bonus	Outstanding 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 2020	Shareholding guideline (multiple of base salary)	Shareholding as a multiple of base salary achieved at 30 June 2020
Chris Hill	24,503	29,260	1,547	72,925	47,912	9,050[1]	0	Three times	0.76
Philip Johnson	30,612	32,314	1,547	29,520	33,937	1,702[2]	0	Three times	1.18

Notes
1 Options exercised granted under 2016 Deferred Bonus Plan.
2 Options exercised were granted under the 2017 SAYE scheme.
3 Includes shares held by the Directors and their connected persons.

There has been no subsequent change in Directors' shareholding and share interests since 30 June 2020.

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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 Directors and employees. The Company requires a minimum employee contribution of 5% of reference salary and in exchange the Company will contribute 5%. Employees are able to contribute up to 3% more than the 5% on a double matching basis. This means that for an 8% employee contribution the Company contribution can be up to 11%. Employees 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.

Where an employee has reduced the level of their contribution to the GSIPP due to exceeding, or being due to exceed, the Annual Allowance limits and/or has sought Lifetime Allowance protection, the Company contributes on the same basis as the pension scheme (on a taxable basis) where the employee contributes to a savings vehicle.

Where an employee, who has reached (or is due to reach) their Annual Allowance limit and/or has sought Lifetime Allowance protection, 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 Directors.

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)

The Committee confirms that no payments have been made to past Directors during the year with the exception of the vesting of the following share awards for:

- Ian Gorham who exercised 37,409 shares, relating to deferred bonus shares on 12 September 2019 where the share price was £20.2986.

Payments for loss of office (audited)

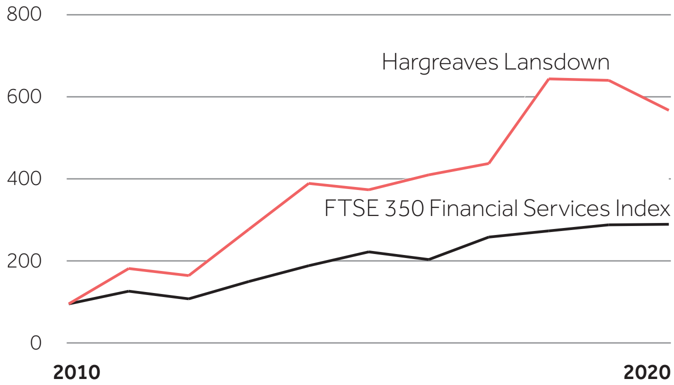
The Committee confirms that no payments have been made for loss of office during the year.

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 past ten years.

This chart shows the value of £100 invested in the Company on 1 July 2010 compared with the value of £100 invested in the FTSE 350 Financial Services Index for each of our financial year ends to 30 June 2020. 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[6]
2011	Peter Hargreaves[1]/ Ian Gorham[2]	£85,123/£1,034,167	(£73,333)[5]/(£666,667)[5]	nil/nil
2012	Ian Gorham	£1,640,895	(£1,250,000)[5]	nil
2013	Ian Gorham	£6,751,557	(£1,500,000)[5]	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[3]/Chris Hill[4]	£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

Notes

1 Emoluments for Peter Hargreaves for 2011 are shown for the two months prior to the date of his resignation from the role as Chief Executive Officer.
2 Emoluments for Ian Gorham for 2011 are shown for the ten months following his appointment to the Board as a Director.
3 Emoluments for Ian Gorham for 2017 are shown for the period to 9 February 2017 when he stepped down as Chief Executive Officer.
4 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.
5 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.
6 Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria.

Percentage change of all Directors and all employees

The table below shows the percentage change in remuneration of each Executive and Non-Executive Director against the Group's employees as a whole between the year ended 30 June 2019 and the year ended 30 June 2020.

		Executive Directors (% change)		Non-Executive Directors (% change)							
Element of pay	Average employee (% change)[1,2]	C Hill	P Johnson	D Oppenheimer	S Robertson	S Garrood	J Styles[4]	F Clutterbuck	R Perkin	D Olley	J Troiano[5]
Base salary	6.41%	2.9%	2.9%	0%	59.3%	10.5%	N/A	10.8%	4.3%	0%	N/A
Benefits	2.82%	0%	366%[6]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]	N/A[7]
Annual Bonus	11.8%	–[3]	–[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

1 This table shows the change in average salary and average bonus delivered to eligible colleagues between 2019 and 2020.
2 Average employee pay has been calculated on a full-time equivalent basis.
3 For 2018/19, both Executive Directors did not receive an annual bonus. Therefore, no comparison to 2019/20 has been drawn.
4 Stood down 9 October 2019
5 Appointed 1 January 2020
6 The increase in benefits for P Johnson is due to the inclusion this year of the value of the SAYE discount over the full three year contract term (in accordance with the single figure methodology). The reportable value of benefits this year is £5,495 compared to £1,180 last year'
7 Effective 4 September 2019, expenses reimbursed via the Group's travel and expenses policy have been reported as taxable benefits. Since these were not reportable last year, it is not possible to reflect a percentage change figure.

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 past two years compared to the total remuneration received by our UK colleagues. Last year, we voluntarily published our CEO pay ratio ahead of disclosure requirements using the same methodology as set out below.

Year	Method	Lower quartile	Median	Upper quartile	Change in median
2020	Option A	103:1	73:1	47:1	329.4%
2019	Option A	24:1	17:1	11:1	-75.7%

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.
2. In calculating total remuneration for colleagues, any gains on historic options vesting within the calculation year have been excluded. The omission of this factor does not materially affect the ratio outcomes.
3. 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.
4. 'Option A' was chosen from the options available in the reporting regulations since it is the most robust and statistically accurate method.
5. Benefits are provided on the same terms to 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 2019 and 2020.
6. Set out separately in the table below is the basic salary and total remuneration figures for each of the percentiles in each year:

Year	Pay element	UK employee lower quartile	UK employee median	UK employee upper quartile
2020	Basic salary	22,433	28,888	44,940
	Total remuneration	26,573	37,625	58,249
2019	Basic salary	21,838	28,050	46,920
	Total remuneration	26,605	37,093	57,714

7. 2019 calculations have been included to allow for a relative comparison of the 2020 outcomes to be evaluated.

The pay ratio has increased from the prior year due to the Executive Directors waiving their bonus last year. 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 Committee believes that our 2020 median pay ratio is consistent with the Group'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	Profit before tax £m	Employee costs £m	Total dividend declared (pence per share)
2020	203.3	378.3	101.2	54.9p
2019	190.5	305.8	97.2	42.0p
% change	+7%	+24%	+4%	+31%

External directorships of Executive Directors in the year

None of the Executive Directors have held any external directorships during the year.

Remuneration Policy for other employees

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 are considered for an annual performance bonus, or equivalent, with similar metrics to those used for the Executive Directors. All eligible employees (under the rules of the scheme) may also participate in the Group's Save As You Earn.

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 2020 financial year are as follows:

Fee policy

	Fees from 1 July 2019 (£ p.a.)	Fees from 1 July 2020 (£ p.a.)
Chair	£325,000	£334,500
Base fee for Non-Executives	£70,000	£72,000
Senior Independent Director	£15,000	£15,400
Chair of Audit Committee	£20,000	£20,500
Chair of Remuneration Committee	£20,000	£20,500
Chair of Risk Committee	£20,000	£20,500
Chair of Nomination Committee[1]	£10,000	£10,000

Note

1 Under current arrangements the Chair fulfils this role for no additional fee.

Fees have been increased by up to 2.9% in line with Executive Director and wider workforce increases.

Remuneration payable for the 2020 financial year (1 July 2019 to 30 June 2020) (audited)

The remuneration received by Non-Executive Directors in 2020 is set out below.

	2020 fees (£)	2020 Benefits (£)	2020 Total (£)	2019 fees (£)	2019 Benefits (£)	2019 Total (£)
D Oppenheimer	325,000	13,611	338,611	325,000	–	325,000
S Robertson	107,500[1]	3,112	110,612	67,500	–	67,500
S Garrood	105,000	1,543	106,543	95,000	–	95,000
J Styles[2]	26,667	1,934	28,601	75,000	–	75,000
F Clutterbuck	90,000	1,814	91,814	81,250	–	81,250
R Perkin	90,000	3,369	93,369	86,250	–	86,250
D Olley	70,000	594	70,594	5,833	–	5,833
J Troiano[3]	55,000	846	55,846	–	–	–

Notes
1 Includes £37,500 payable for acting as Chair of Hargreaves Lansdown Fund Managers Ltd from 1 October 2019.
2 Stood down 10 October 2019.
3 Appointed 1 January 2020.

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.

The table below shows, as at 30 June 2020, the Company shares held by the current Non-Executive Directors:

	Shares
D Oppenheimer	30,572
S Robertson	12,847
S Garrood	Nil
F Clutterbuck	2,197
R Perkin	Nil
D Olley	Nil
J Troiano	Nil

1 There has been no subsequent change in Non-Executive Directors' shareholdings since 30 June 2020.

Implementation of the Remuneration Policy in 2020/21 – Executive Directors

Salary

The Executive Directors' base salaries were reviewed in August 2020. 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. Based on this information, the Committee agreed to award a 2.9% increase to the Executive Directors against a range of increases from 0% to 12.5% within an overall budget for base salary increases of 3% across the organisation.

Name of Director	Salary as at 1 July 2020 (£)	Salary as at 1 July 2019 (£)	% increase
Chris Hill	648,000	630,000	2.9
Philip Johnson	459,000	446,000	2.9

Annual bonus

For 2021, awards will be subject to performance assessment against a combination of financial/growth, client, colleague and strategic delivery measures, as well as personal performance, including an assessment against the Hargreaves Lansdown Values. Risk and compliance considerations will also be taken into account at both Company and individual levels.

The Company performance assessment will include 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

Note
1 Assessment of performance will take account of both delivery (what) and demonstrations of behaviours aligned to HL's values (how).

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 remuneration report next year.

Individual performance will be assessed against the following objectives:

Individual objectives for Chris Hill
- Define and shape the business to thrive at scale whilst maintaining market leading client service.
- Proactively manage the reputation of the Group across all stakeholders,
- Shape a well governed organisation that operates within the Board's risk appetite.
- Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values.

Individual objectives for Philip Johnson
- Shape a sustainable business model to thrive at scale and deliver long-term financial results.
- Balance resources across the Group to support delivery of the strategy and maintain service levels.
- Support a well governed organisation that operates within the Board's risk appetite.
- Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values.

In addition, each Executive Director's 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.**

In line with the Directors' Remuneration Policy, the following on-target and maximum bonus opportunities will apply:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225%	350%
Philip Johnson	175%	350%

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 annual instalments equally over a period of three 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.

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; and
- Satisfactory personal performance throughout the performance period.

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.

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.

Statement of voting at the AGM

At the AGM held in 2019, votes cast by proxy and at the meeting in respect of the Directors' remuneration report, and at the AGM in 2017, votes cast by proxy and at the meeting in respect of 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	419,940,653	99.64%	1,534,884	0.36%	421,475,537	4,073,659	425,549,196
Approve Directors Remuneration Policy	397,269,387	98.69%	5,289,288	1.31%	402,558,675	1,771,890	404,330,565

Fiona Clutterbuck
Chair of the Remuneration Committee

6 August 2020

NOMINATION COMMITTEE REPORT

REFINING THE GROUP'S APPROACH TO SUCCESSION PLANNING

"Promoting diversity and inclusion across the business

Deanna Oppenheimer
Chair of the Nomination Committee

Attendance at Committee meetings during the year to 30 June 2020

Member	Position	Meetings eligible	Meetings attended
Deanna Oppenheimer	Chair	●●●●●●	●●●●●●
Fiona Clutterbuck	Non-Exec Dir	●●●●●●	●●●●●●
Shirley Garrood	Non-Exec Dir	●●●●●●	●●●●●●
Roger Perkin	Non-Exec Dir	●●●●●●	●●●●●●
Stephen Robertson	Non-Exec Dir	●●	●●
Jayne Styles	Non-Exec Dir	●●	●●

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 continues to improve and refine the Group's approach to succession planning, both at Board level and within the Group's senior management. During the period, the Committee has overseen the development of a detailed skills matrix to assist it in planning for future Board changes, as well as considering in detail the potential skills gap when Directors rotate off the Board in due course.

In its approach to succession planning and recruitment, the Committee has continued to promote diversity and inclusion across the business to support the Group's growing and increasingly diverse 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.

The Board considers that having high calibre Directors is key to the Group achieving its strategic objectives. During the period, John Troiano was recruited as an independent Non-Executive Director of each of the Company and Hargreaves Lansdown Fund Managers Ltd (HLFM, the Groups fund management arm), John Misselbrook was recruited to chair the board of HLFM, and each of John Troiano and Dan Olley joined the Risk Committee. Dan has also joined the Remuneration Committee with effect from 1 July 2020.

As at the date of this report, the Committee is at an advanced stage in the process of recruiting up to two additional Non-Executive Directors to build further resilience into the membership of the Board's Committees and continue to align the Board's overall skillset to the future strategic needs of the business. As part of the recruitment process, the Committee is paying close regard to the recommendations of the Hampton-Alexander and Parker Reviews.

The Committee also carried out regular reviews of Board and Committee composition, and oversaw the Group's progress in implementing recommendations from the recent Board effectiveness reviews.

Given the challenges posed by the ongoing COVID-19 pandemic and the restrictions on public gatherings, at the time of writing the Board is considering all options as to what format this year's AGM will take and how shareholders might be given the opportunity to ask questions relating to the Committee's work. Further details will be set out in the Notice of AGM.

Deanna Oppenheimer
Chair of the Nomination Committee

NOMINATION COMMITTEE REPORT

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.

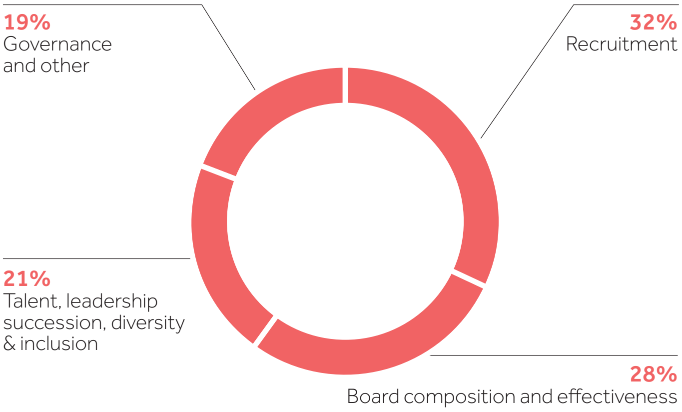
Composition and meeting attendance

Deanna Oppenheimer (as Chair), Fiona Clutterbuck, Shirley Garrood and Roger Perkin were members of the Committee throughout the period under review. Jayne Styles was a member of the Committee until her resignation as a Non-Executive Director on 10 October 2019, and Stephen Robertson stepped down as a member of the Committee following its October meeting. 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.

The Committee met six times in the period under review. The attendance of members at each meeting is set out in the table on page 99. 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.

Percentage of time spent on key areas



Overview of the Committee's activities in the year to 30 June 2020

Approach to succession planning

The Committee has responsibility for ensuring appropriate succession planning for both for 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, 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.

At its June meeting, 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.

Skills matrix

During the period under review, the Committee has overseen the development of a detailed skills matrix to aid it in identifying the present and future needs of the Board. 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 will flow from Stephen Robertson's and Fiona Clutterbuck's departures. Having served on the Board for nine years, Stephen will retire from the Board at the 2020 AGM, in line with Provision 10 of the Code which lists a tenure of longer than nine years as a circumstance that could impair independence. In addition to Stephen's focus on the client and marketing, he served on all Committees and was the first Non-Executive Chair of HLFM. Fiona will also retire from the Board at the 2020 AGM, and the Committee will be working in particular to find a suitable replacement as Chair of the Remuneration Committee.

John Troiano, appointed to the Board and Risk Committee as well as the board of HLFM in January 2020, brings a strong knowledge of the investment client and wealth management from his many executive roles at Schroders. John Misselbrook has been recruited to replace Stephen as Non-Executive Chair of HLFM. Further details on these appointments are included below.

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

During the period under review, the Committee oversaw developments in the approach to training and development for Directors. 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, or one-on-one sessions with the Head of Performance and Reward for Remuneration Committee members.

In recognition of the time demands of Non-Executive Directors in particular, 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.

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 diversity and inclusion policy supports this by making clear the Group's aspirations and commitment to diversity and inclusion, 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 diversity and inclusion 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;
- 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 diversity and inclusion agenda. The Group's leadership are made personally accountable for promoting diversity and inclusion 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 diversity and inclusion 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 41 to 45 of the Strategic Report.

NOMINATION COMMITTEE 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 2020, the Board numbered nine in total, three of whom are female. Whilst this is a reduction in female representation on the Board since last year, 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 diversity and inclusion. As at 30 June 2020, female representation across the Group's senior management (as per the Code definition) was 31%. 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). The gender balance of 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) can be found on page 42 of the Strategic Report.

Approach to NED recruitment
The Committee leads the process for appointments to the Board. 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, 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 though is that recommendations for appointments are based on merit against objective criteria, and that the best candidates are put forward for consideration.

The Committee recommends its preferred candidate to the Board for approval. The Committee maintains a list of unsuccessful candidates who it considers may be suitable for consideration in the future.

Appointment of new independent Non-Executive Director
During the period under review, the Committee carried out a detailed search for a new Non-Executive Director with experience in investment management and a high profile City background. The Committee engaged Lygon Group, an independent external search agency, to assist with the search. Following a rigorous process involving initial interviews with a range of potential candidates, John Troiano 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 John's appointment to the Board and the board of Hargreaves Lansdown Fund Managers Ltd, the Group's fund management arm. John was appointed as a Non-Executive Director and member of the Risk Committee with effect from 1 January 2020.

During the period, the Committee also recommended to the Board the appointment of Dan Olley as a member of the Risk Committee and Remuneration Committee. Dan was appointed to the Board in June 2019 to develop the Board's understanding of emerging technologies and to assist in developing its technology strategy. Dan became a member of the Risk Committee in August 2019 and his appointment adds to its capability to oversee and challenge executive management on the risks associated with the Group's strategic objectives in the fields of technology and digital transformation. Dan was appointed to the Remuneration Committee on 1 July 2020, and it is considered his external appointments in executive roles will add diversity to the Committee's constitution and thought processes.

In the latter part of the period under review, the Committee commenced a rigorous search for up to two new Non-Executive Directors. The key aims of the search have been to 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. Russell Reynolds Associates, an independent external search agency, has been engaged to assist with the search. It is anticipated that the results of the search will be announced early in the new financial year.

The Committee also takes an active role in appointments to the Group's subsidiary boards. During the period under review, the Committee carried out rigorous processes to identify suitable candidates for two new independent Non-Executive Director positions within HLFM, the Group's fund management arm. This included recommending to the Board the appointment of John Misselbrook as a suitable candidate for the replacement of Stephen Robertson, the outgoing chair. John was formally appointed to the HLFM board on 3 July 2020 following FCA approval.

The Committee also recommended to the Board the appointment of the Group Marketing Director to the board of Hargreaves Lansdown Savings Limited to further develop the Active Savings proposition.

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 next externally facilitated review is planned to take place in 2021.

In the interim, annual evaluations of Board performance have been facilitated internally. The 2019 evaluation 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 2020 evaluation has followed the same format as that for 2019, with the questions refined to focus on the key themes and principal issues identified from the 2018 and 2019 evaluations. Results will be presented and actions agreed by the Board in the first half of the new financial year.

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 and 2019 evaluations, as well as approving the approach for this year's evaluation. It also received a report from the Group's Internal Audit function to obtain additional assurance on the progress in implementing recommendations from the externally facilitated 2018 evaluation.

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, further details of which can be found on pages 41 to 45 of the Strategic Report.
- **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. You can read more on page 60 of the Corporate Governance Report.

Key priorities and outcomes from the 2019 internal evaluation included the following:

- **Board and Committee meetings**. Develop comprehensive forward planners and ensure meetings are scheduled to ensure sufficient time is set aside for strategic debate. In response, rolling 12 month Board and Committee agendas have been introduced and strategic discussions scheduled to take place earlier in meetings.
- **Provision of information**. Increase rigour around timescales for the submission of papers and improve the quality of papers. In response, the Company Secretariat team has worked to commission papers earlier with time for initial Chair review and feedback where required. The Group's paper templates and associated guidance for authors have also been further developed and refined.
- **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.

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 evaluation. This has included the aforementioned skills matrix, which has been developed to assist the Committee with succession planning and recruitment, the approval of a revised role profile for the Senior Independent Director, and a detailed review of the Committee's corporate calendar to ensure sufficient time is made available for the Committee to effectively discharge its responsibilities. The Committee has also supported the Group Company Secretary in developing a revised induction programme and training approach for Non-Executive Directors.

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 to be independent under the provisions of the Code.

NOMINATION COMMITTEE REPORT

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.

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, other than Stephen Robertson and Fiona Clutterbuck who are standing down, each of the Directors is put forward for election or re-election at the 2020 AGM as appropriate.

Nomination Committee priorities for 2020/21

Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- The recruitment of additional Non-Executive Directors to increase resilience in succession planning and continue to build expertise and diversity to support the Group's growing and increasingly diverse client base;
- The Group's increased commitment to strengthen a diverse talent pipeline across the organisation;
- Embedding 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; and
- Overseeing the 2021 external Board evaluation.

Deanna Oppenheimer
Chair of the Nomination Committee

6 August 2020

RISK COMMITTEE REPORT

CONTINUING TO IMPROVE AND EMBED RISK MANAGEMENT

Responding to the challenges of COVID-19

Shirley Garrood
Chair of the Risk Committee

Attendance at Committee meetings during the year to 30 June 2020

Member	Position	Meetings eligible	Meetings attended
Shirley Garrood	Chair	•••••••	•••••••
Fiona Clutterbuck	Non-Exec Dir	•••••••	•••••••
Dan Olley	Non-Exec Dir	•••••••	•••••••
Roger Perkin	Non-Exec Dir	•••••••	•••••••
Stephen Robertson	Non-Exec Dir	•••••••	•••••••
Jayne Styles	Non-Exec Dir	•	•
John Troiano	Non-Exec Dir	•••	•••

Dear Shareholder

As Chair of the Risk Committee, I am pleased to present this report on the Committee's activities in the year under review.

The Committee's activities in the latter part of the period under review have naturally been dominated by the COVID-19 pandemic. The Committee has given detailed consideration to its impact on the Group's principal risks and obtained assurance on the Group's operational resilience in response to the challenges faced by all of us.

Elsewhere, the Committee has overseen improvements in the Group's risk management framework through the implementation of the risk enhancement plan to ensure that it continues to support good client outcomes and mitigate the risk of harm, as well as overseeing the continued shift of risk management responsibilities to the Group's first line Operations teams. In doing so it has received regular reports on how risk management is being embedded in the first line, as well as receiving assurance reports from the Group's second line Risk function and third line Internal Audit function.

The Committee has also reviewed and challenged updates to the Group's risk appetite statement prior to its approval by the Board, including the incorporation of a detailed escalation matrix to define escalation routes where acceptable levels of risk are breached.

The Committee carried out a detailed review of the Group's 2019 ICAAP prior to its recommendation to, and subsequent adoption by, the Board in December 2019.

Given the challenges posed by the ongoing COVID-19 pandemic and the restrictions on public gatherings, at the time of writing the Board is considering all options as to what format this year's AGM will take and how shareholders might be given the opportunity to ask questions relating to the Committee's work. Further details will be set out in the Notice of AGM.

Shirley Garrood
Chair of the Risk Committee

RISK COMMITTEE REPORT

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 also 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 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.

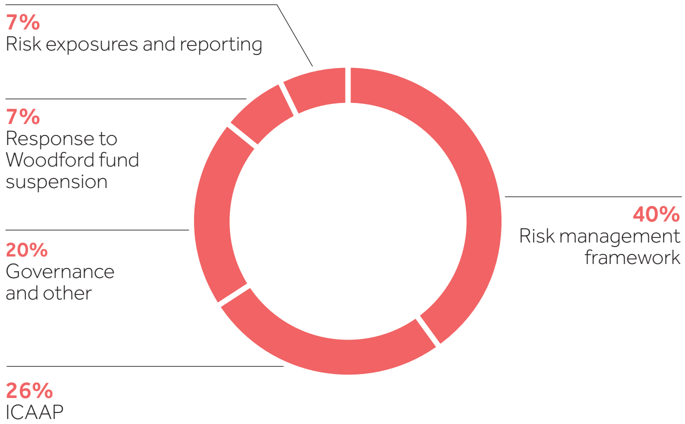
Composition and meeting attendance

Shirley Garrood (as Chair), Fiona Clutterbuck, Roger Perkin and Stephen Robertson were members of the Committee throughout the period under review. Dan Olley and John Troiano have each been members of the Committee since their appointments on 6 August 2019 and 1 January 2020 respectively. Jayne Styles was a member of the Committee until her resignation as a Non-Executive Director on 10 October 2019.

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. 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 each meeting is set out in the table on page 105. 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 Risk Officer, the Group Director of Risk and Compliance, and the Head of Internal Audit. 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.

Percentage of time spent on key areas



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 statement, 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 statement annually. During the period under review, the Committee reviewed and challenged proposed enhancements to the Group's risk appetite approach. Improvements have included increasing the coverage of the risk appetite statement to a broader range of risk taking activities, linking risk appetite metrics to the Group's values to illustrate associated impacts on client outcomes in the event of risk crystallisation, and aligning risk appetite metrics with a detailed risk escalation matrix to define the appropriate governance forum for notification where acceptable levels of risk are breached. Following the Committee's review, revisions to the Group's risk appetite statement were approved by the Board in April.

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 continued shift of risk management responsibilities to operational teams in the first line, to enable the Group's Risk function to properly focus on second line activities.

In doing so, the Committee has reviewed and challenged reports from senior management on risk management within the first line, including deep dives into how risk management is being embedded in the Group's IT, Change and Marketing functions as well as updates on enhancements to investment governance and processes and data governance. First line papers provide an update on the management of key risks linked to a heat map, along with details of improvements made, benefits achieved and further enhancements planned.

The Committee has also received assurance on risk management within the Group's operations activities via reports from the Group's second line Risk function on how risk management is being embedded in the first line. This included a review of the focused first line risk and control functions now in place and an update on the implementation of the Group's 'inForm' process for managing and recording risk events across the Group's operational teams.

During the period under review, the Committee also reviewed the twice yearly control self-assessment from the Chief Executive Officer on the Group's risk management framework and reports from the Chief Risk Officer 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 systems and controls and the prevention of bribery. During the period, the Committee received updates on the continued focus on maintaining a strong control environment whilst pursuing enhancements to reduce reliance on manual controls, as well as on changes to legislative requirements and enhancements to, and completion rates of, anti-money laundering and counter terrorist financing training that all colleagues are required to complete. During the period, the Committee also reviewed and approved updates to the Group's Anti-Bribery & Corruption Policy.

Risk maturity and enhancements to the framework

The CRO reports regularly to the Committee on his assessment of the maturity of the Group's risk management framework and the progress being made to improve it. This has included a thematic review on outsourcing by the Group and a detailed review of the maturity of risk management within the Group's Operations teams. The Committee also received a detailed report from the CRO on the Group's overall risk maturity, both against the external assessment that took place in 2018 and its competitors.

Actions designed to support improvements to the Group's risk management framework are set out in a risk enhancement plan. The Committee received regular updates on progress against the plan throughout the period under review, including a full report on progress at its December meeting. It is intended that, following completion of the plan later this year, a further external review will be commissioned to assess the Group's risk maturity following the improvements made to the risk management framework.

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. In June, the Committee received and approved the detailed annual reports from the CRO 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.

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 Executive Risk Committee and the CRO on the principal and emerging risks facing the Group. During the period under review, the Committee considered risks to the Group associated with Brexit, the use of cloud based solutions, the suspension and closure of the Woodford Equity Income Fund and the implementation of IR35.

The Group's risk appetite statement provides a robust tool for monitoring risk levels and escalations across the Group based on materiality and during the period under review, the CRO has provided regular updates to the Committee on the status of the Group's principal risks by reference to a heat map derived from the materiality metrics set out in the risk appetite statement.

Specific matters or risk events are escalated to the Committee in accordance with the risk appetite statement and, during the period under review, the Committee has reviewed and opined on the various matters escalated to it. This has included a perceived increase in the cyber security threat to the Group, as well as out of appetite changes to the Group's Net Promoter Score[SM1] and reductions in the availability of certain of the Group's systems following spikes in demand as a result of the general election and the increased market volatility associated with the COVID-19 pandemic. Following the notification of a risk event, the Committee reviews a root cause analysis and makes recommendations for future improvement to the Group's risk management systems.

Note

1 Net Promoter Score, NPS and the NPS-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks of Bain & Company Inc., Satmetrix Systems, Inc. and Fred Reichheld.

RISK COMMITTEE REPORT

COVID-19 pandemic
In the latter part of the period under review, the Committee's attention has naturally focused on understanding the impact of the COVID-19 pandemic. It reviewed and challenged a detailed report on the current and likely future impact of the pandemic on the Group's principal risks, and has overseen arrangements to mitigate that impact and ensure the Group can continue to deliver good client outcomes and core services whilst maintaining a robust control environment and safeguarding colleague wellbeing.

The Committee has also requested and received assurance reporting on how the Group's control framework is being maintained during the pandemic and a report from the Group's Internal Audit function providing an independent assurance opinion on the effectiveness of the Group's operational resilience in response to the pandemic. The report noted that the Group had demonstrated a high level of operational resilience in managing the early stages of the pandemic and responding to increased levels of client contact, with the majority of client services remaining in place, the maintenance of good client contact metrics, the Group's core IT systems continuing to function well and its change programme continuing to deliver. The report also highlighted the importance of enhancing and strengthening risk assurance and control processes to monitor the additional risks associated with operating controls remotely. The Committee has been kept updated with developments in this regard.

Suspension of Woodford fund and subsequent framework improvements
The Committee reported last year on its consideration of the suspension of trading in the Woodford Equity Income fund (now LF Equity Income) in June 2019. During the period under review, the Committee has continued to review and challenge the Group's proposed actions in response to the fund's suspension and subsequent winding up, to ensure client service is maintained and any risks are identified and appropriately mitigated. The Committee was also delegated responsibility for overseeing a programme of improvements to the Group's governance framework to mitigate the risk of a similar situation in the future, and has received regular updates on progress during the period under review. You can read more about these improvement in the Chair's Introduction to Corporate Governance on pages 54 to 55.

ICAAP
An important aspect of the Committee's role is its annual review and challenge of updates to the Group's ICAAP. The 2019 ICAAP was a dominant feature of the Committee's agenda in the first half of the period under review, prior to its approval 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 Pillar I capital requirements, operational risk scenarios, stress testing and the wind down plan.

The Committee's consideration of the Group's 2019 ICAAP included the detailed review of the Pillar II operational risk scenarios and the improvements made to the methodology by the Group's Risk function following the external validation work carried out on the Group's 2018 ICAAP modelling. The Committee provided feedback and challenge to year-on-year movements in the scenarios included, as well as requesting the inclusion of an additional scenario similar to that experienced by the Group following the suspension of trading in the Woodford Equity Income fund referred to above. The Committee also reviewed and challenged the model assumptions and testing that underpin the Pillar II 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, received regular updates from the CRO on resourcing and workload, and received a detailed report on the operational effectiveness of the function at its June meeting.

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 considered and recommended to the Remuneration Committee the process for malus adjustments to senior management reward based on accountability for risk events that impacted the Group. The Committee also reviewed and commented on the CRO's risk adjustment paper relating to the period under review prior to its submission to the Remuneration Committee.

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 evaluation of its performance. This has included the continued embedding of the Group's risk management framework across first line teams and improvements to risk reporting across the Group, as well as a review of how well the risk management framework is being embedded.

Risk Committee priorities for 2020/21
Looking ahead to the next financial year, it is anticipated that the Committee will focus in particular on:

- Continuing to embed the Group's risk management framework within first line operational teams to ensure they continue to support good client outcomes and mitigate the risk of harm, and assessing developments to the Group's risk maturity;
- Reviewing and challenging proposed updates to the Group's 2020 ICAAP and recommending to the Board for approval; and
- Continuing to monitor the resilience of the Group's operations, including the Group's ability to meet the challenges posed by the COVID-19 pandemic and its impact on the Group's risk profile.

Shirley Garrood
Chair of the Risk Committee

6 August 2020

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 2020.

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 53 to 116 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 2 to 37 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 49 of the Strategic Report.

Details of how the Group engages with its key stakeholders, including its shareholders, can be found on pages 30 to 31 of the Strategic Report and on page 59 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 113 to 115.

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 publically available can be found in the Chair's Introduction to Corporate Governance on page 55;
- 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 page 66;
- 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 109 to 111;
- A description of the composition and operation of the Group's corporate governance framework can be found on pages 60 to 61; 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 41 to 45 and 101 to 102.

Information to be disclosed under LR 9.8.4R

Listing Rule 9.8.4CR 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 146
LR 9.8.4R (13)	Future dividend waiver agreements	Note 3.2 to the consolidated financial statements on page 146
LR 9.8.4R (14)	Information regarding controlling shareholder	See disclosure under Controlling Shareholder heading on page 110 below.

Share capital structure

The Company's share capital consists of a single class of ordinary shares of 0.4p each. As at 30 June 2020 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 146. 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 2020 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.

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 2019 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 2020 and up to the date of this report. This authority expires at the end of the 2020 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 2019 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 2020 and up to the date of this report. This authority expires at the end of the 2020 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 2020, the EBT Trustee held 381,831 ordinary shares, equating to approximately 0.08% 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 2020, 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 2020, 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	115,482,448	24.35%
Lindsell Train Limited	61,723,106	13.01%
Stephen Lansdown	33,817,419	7.13%
Baillie Gifford	23,888,812	5.04%
Black Rock, Inc.	23,608,605	4.98%

In the period between 30 June 2020 and the date of this report, the Company received no further notifications.

Controlling Shareholder

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.

The Company had previously entered into a relationship agreement with Peter Hargreaves in accordance with Listing Rule 9.2.2ADR(1) intended to ensure that any transactions or arrangements with him were 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.

The relationship agreement automatically terminated when Mr Hargreaves ceased to be a controlling shareholder. Prior to that date and during the period under review, both the Company and, so far as the Company is aware, Mr Hargreaves and his associates had complied with the independence provisions set out in the relationship agreement and Listing Rules 6.5.4R and 9.2.2ADR(1). The Company did not have more than one controlling shareholder and, as such, the procurement obligation set out in Listing Rules 6.5.5R and 9.2.2BR did not apply.

Dividends

The Board recommends a final ordinary dividend of 26.3 pence per ordinary share to be paid in respect of the period ending 30 June 2020. Subject to shareholder approval at the 2020 AGM, it is proposed that this ordinary dividend, along with a special dividend declared by the Board on 6 August 2020, is paid on 16 October 2020 to all shareholders on the register at close of business on 25 September 2020.

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 65 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 56 to 58. Appointments to and departures from the Board during the period under review are set out in the table below.

Name	Role	Date of appointment/ departure
Jayne Styles	Non-Executive Director	Resigned 10 October 2019
John Troiano	Non-Executive Director	Appointed 1 January 2020

Directors' interests
Details of the Directors' interests in the Company's ordinary shares can be found on pages 92 and 96 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 154 to 158.

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.

Colleague 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 44 to 45 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 44 to 45 of the Strategic Report and in the Group's Section 172 Statement on pages 113 to 115.

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 43 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 43 to 44 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 152.

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. As at the date of this report, the Board is considering all options having regard to the current restrictions on public gatherings, and the possibility of more severe restrictions being imposed on 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 32 to 37 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 24 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.

Alison Zobel
General Counsel and Group Company Secretary

6 August 2020

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 30 to 31 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.

In the period under review, the Group revised its board and committee paper template to 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. The new template is being rolled out across the Group and has been accompanied by a series of training sessions to ensure paper authors are aware of what is required and why.

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 18 to 21 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 study on page 115.

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 22 to 29 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.

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 45 of the Strategic Report.

SECTION 172 STATEMENT

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 pages 30 to 31 and 41 to 45 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 115 and on pages 49 to 50 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 30, 39 to 40 and 51 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 115 and on pages 49 to 50 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 and Audit Committees receive detailed insights into specific areas such as the ICAAP, CASS and MiFID II. The Board also receives updates in relation to specific matters, such as the implementation of SMCR and the FCA's recent focus on 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. 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 30 to 31 of the Strategic Report and page 59 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 37 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 our impact and initiatives in these areas on pages 46 to 50 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 the Chief Executive Officer has updated the Board on the Group's approach to date, with a full deep-dive due to take place early in the next financial year. You can read more about our ESG practices on pages 47 to 49 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 case study on page 115 and on pages 49 to 50 of the Strategic Report.

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. The Board approves and oversees the Group's adherence to policies that promote high standards of conduct. You can read more about these policies on page 52 of the Strategic Report.

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 culture and the initiatives in progress to ensure that it continues to develop and align to the Group's purpose, values and strategy. You can read more on page 59 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 acted quickly in constituting a dedicated Crisis Management Committee to manage our response to the COVID-19 pandemic. In determining that response, the Group 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.

You can read more about these initiatives on pages 49 to 50 of the Strategic Report.

Sale of FundsLibrary Limited

On 29 February 2020 the Company sold its shareholding in FundsLibrary Limited to Broadridge Financial Solutions. In approving the sale, the Board considered:

- The long-term consequences of the decision, it being noted that the FundsLibrary business was not part of the Group's core business offering;
- The employees of FundsLibrary, in particular the cultural fit with the purchaser and the opportunities for the FundsLibrary business to develop; and
- The Company's shareholders, in particular the potential return on investment and the benefits of even greater focus on the Group's core business and its long-term strategic objectives.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared both the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied 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 and Company 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 IFRS (as adopted by 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and Directors' Remuneration Report comply with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Each of the Directors (whose names and functions are listed in the Directors' profiles on pages 56 to 58 confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities and financial position and profit of the Company; and
- The Directors' Report and Strategic Report contained in the Report and Financial Statements include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Philip Johnson
Chief Financial Officer

6 August 2020

FINANCIAL STATEMENTS

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 2020 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Report and Financial statements 2020 (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 30 June 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, the consolidated and parent company statements of changes in equity 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.

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 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.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

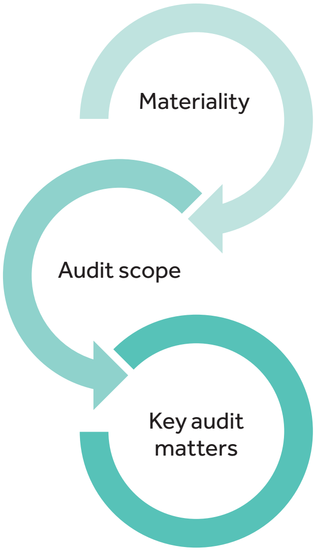
Other than those disclosed in note 1.4 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 July 2019 to 30 June 2020.

Our audit approach

Context

Hargreaves Lansdown plc is listed on the London Stock Exchange and its principal activity is the provision of regulated investor investment services to UK retail clients. As a result, key focus areas for Hargreaves Lansdown plc are on growing assets under administration and operating as a regulated entity within a highly regulated market. These activities provide the context for our audit.

Overview



- Overall group materiality: £18.9 million (2019: £15.2 million), based on 5% of profit before tax.
- Overall parent company materiality: £10.7 million (2019: £9.9 million), based on 5% of profit before tax.

- We performed a full scope audit of the complete financial information of two individually financially significant reporting units, which together represent 89% of the Group's profit before tax.
- Specific audit procedures were also performed over consolidation adjustments, balances that could be tested at a group level which included intangible assets, staff costs, cash and cash equivalents, term deposits and material movements through the consolidated statement of changes in equity.

- Revenue recognition.
- Impact of COVID-19

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. 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.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Financial Conduct Authority (see page 10 of the Annual Report), 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 preparation of the financial statements such as the Companies Act 2006, the Listing Rules, the Financial Conduct Authority's Client Asset Sourcebook and the UK tax legislation. 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 company. Audit procedures performed by the engagement team included:

- Discussions with 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;
- Assessment of matters reported on the company's whistleblowing helpline and the results of management's investigation of such matters;
- 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; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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. This is not a complete list of all risks identified by our audit.

Key audit matter

Revenue recognition (refer to the audit committee report on page 67, and note 1.1)

Revenue is material to the group and is an important determinant of the group's profitability.

Revenue may be misstated due to errors in system calculations or manual processes, for example, arising from incorrect securities prices or levels of assets held used in these calculations and 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 performance, there is an inherent risk of fraud in revenue recognition as there is an inherent incentive to misstate revenue.

We assessed each revenue stream for the two in-scope reporting units and determined that there is a significant risk based on the opportunity for errors to occur in each of these revenue streams. Our assessment of the risks for each revenue type which we needed to obtain evidence over is as follows:

Type of revenue	Description of risks, including fraud risk factors
Asset and transaction-based revenue streams calculated by the underlying administration system Management fees on SIPPs and ISAs Platform fees Stockbroking commission Other income	These revenue streams are either calculated based on the value of assets held or based on activities undertaken by the client of the group, such as stockbroking. The value of securities and all client activities is held in the underlying administration system which supports the Vantage and PMS platforms. The rates are derived from standard rate tables. Unauthorised changes to, or errors in these inputs could lead to a misstatement of revenue.

How our audit addressed the key audit matter

Asset and transaction based revenue streams

To address the risk identified in the asset and transaction-based revenue streams calculated by the underlying administration system, we independently re-calculated the revenue recognised.

This covered management fees, platform fees and an element of stockbroking commission. Our calculations were based on data extracted from the administration system.

In order to rely on the data extracted, we:

- Reconciled transactional data provided from opening positions through to closing positions of individual securities held; and
- Tested a sample of transactions to supporting documentation such as client instructions and a sample of security positions to stock reconciliations and external sources (such as fund manager statements).

This testing provided sufficient evidence for us to determine the data extracted was reliable for the purposes of performing the recalculations.

We tested the inputs of our recalculations by agreeing standing data, such as fee structures, commission rates, stock movements and security prices to supporting evidence on a sample basis. No exceptions were noted from testing the standing data.

On the basis of this testing, we determined it was appropriate for us to use the standing data to perform our independent recalculation of each of the revenue streams.

We compared our independent recalculations to the amount reported and noted differences that, in our view, were trivial and required no further investigation.

We tested the remaining asset and transaction-based revenue within the two in-scope reporting units which included other income and an element of stockbroking commission on a sample basis, agreeing each revenue item sampled back to supporting documentation. We noted differences that, in our view, were trivial and required no further investigation.

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Type of revenue</td><td>Description of risks, including fraud risk factors</td><td rowspan="3">Revenue streams calculated by management or a third party
Annual management charges ('AMCs') relating to the Hargreaves Lansdown Multi-Manager funds and Select funds.
We agreed revenue samples through to cash received evidenced by bank statements, recalculated the management fees, and tested a control operating at the firm which independently verifies the fund's net asset values provided by the independent third party. We noted differences that, in our view, were trivial and required no further investigation.

Interest income on client money
On a sample basis, we manually recalculated the gross interest earned on client money based on records maintained by management and tested these records by agreeing a sample of deposits and interest rates to documentation received from the relevant bank. No exceptions were noted as part of our testing.

All revenue streams
As part of our testing described above, we performed procedures to determine that revenue was recognised accurately and traced to cash receipts. In addition, we tested a sample of journals impacting revenue posted to the general ledger based on our assessment of fraud risk. We understood the nature of these journals and agreed the appropriateness of the journal to supporting documentation. No exceptions were noted that were indicative of fraud or error.</td></tr>
<tr><td>Revenue streams calculated by management or a third party
Annual management charges ('AMCs') relating to the Hargreaves Lansdown Multi-Manager funds and Select funds

Interest income on client money</td><td>The AMCs are calculated by an independent third party, based on the net asset value of the funds and the published AMC rate.

Gross interest on client money is calculated by management based on the deposit balance and the rate agreed with the bank.

As a result, a material misstatement of revenue could arise from fraudulently manipulating calculations or spreadsheet errors.</td></tr>
<tr><td colspan="2">The above key audit matter applies only to the group. The parent company does not report revenue.</td></tr>
<tr><td colspan="2">Impact of COVID-19 (Refer to page 24 (Strategic Report), page 59 (Governance Report) and page 67 (Report of the Audit Committee))
The outbreak of the novel coronavirus (known as COVID-19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be a recession in the United Kingdom.

In order to assess the impact of COVID-19 on the business, management have updated their risk assessment and prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for at least 12 months from date of signing and over the next three years. The analysis and related assumptions have been used by management in its assessment of the Group's going concern and viability.

The most significant impact to the financial statements has been in relation to the impairment assessment of the carrying value of the parent company's investment in the subsidiaries.

Management has also modelled possible downside scenarios to its base case forecast. As at the balance sheet date the group's cash balance is £235.9m and the group also has access to an undrawn £75.0m revolving credit facility. Having considered these models, together with an assessment of planned and possible mitigating actions, management has concluded that the Group remains a going concern and there is no material uncertainty in respect of this conclusion.</td><td>We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by COVID-19. We also evaluated management's assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business.

We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal risks and the Viability statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit.

In respect of going concern, we assessed the Directors' going concern analysis in light of COVID-19 and obtained evidence to support the key assumptions used in preparing the going concern model, including assessing headroom within the base and downside case scenarios. We challenged the key assumptions used in preparing the analysis.

We obtained external confirmations of the cash balances held within the group as well as the revolving credit facility.

Our conclusions relating to going concern and other information are set out in the 'Going Concern' and 'Reporting on other information' sections of our report, respectively, below.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

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 is structured as one segment, comprising 19 separate reporting units. There were 6 trading subsidiaries during the year, including the entity FundsLibrary Limited which was sold during the year. We considered two subsidiaries to be financially significant reporting units and on which we performed an audit of their complete financial information. Together these two financially significant reporting units represent 89.0% of the group's profit before tax. An entity was considered to be financially significant if it contributed more than 15% of consolidated profit before tax. Specific audit procedures were also performed over consolidation adjustments, balances that could be tested at a group level 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 as all books and records were available at one location.

The parent company is a holding company with investments in subsidiaries in the Hargreaves Lansdown plc group. It does not trade outside of the group. The only material income it received during the year was dividend income received from its subsidiaries.

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:

	Group financial statements	Parent company financial statements
Overall materiality	£18.9 million (2019: £15.2 million).	£10.7 million (2019: £9.9 million).
How we determined it	5% of profit before tax.	5% of profit before tax.
Rationale for benchmark applied	As the Group is profit orientated, we have calculated materiality with reference to profit before tax.	As the parent company is profit orientated, we have calculated materiality with reference to profit before tax.

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 £4.2 million and £17.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £945,000 (Group audit) (2019: £760,000) and £533,000 (Parent company audit) (2019: £495,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

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. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 25 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 112 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 116, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 67 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- 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.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

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 set out on page 116, 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.

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 received 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 Directors' 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 7 years, covering the years ended 30 June 2014 to 30 June 2020.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 August 2020

SECTION 1: RESULTS FOR THE YEAR
CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Revenue	1.1	**550.9**	480.5
Fair value gains on derivatives		**1.7**	2.2
Operating costs	1.3	**(214.9)**	(179.4)
Operating profit		**337.7**	303.3
Finance income	1.6	**2.8**	2.8
Finance costs	1.7	**(1.0)**	(0.3)
Other gains	4.1	**38.8**	–
Profit before tax		**378.3**	305.8
Tax	1.8	**(65.1)**	(58.2)
Profit for the financial year		**313.2**	247.6
Attributable to:			
Owners of the parent		**313.1**	247.4
Non-controlling interest		**0.1**	0.2
		313.2	247.6
Earnings per share			
Basic earnings per share (pence)	1.9	**66.1**	52.1
Diluted earnings per share (pence)	1.9	**65.9**	52.0
Underlying basic earnings per share (pence)	1.9	**57.9**	52.1
Underlying diluted earnings per share (pence)	1.9	**57.8**	52.0

The results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2020

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit for the financial year	**313.2**	247.6
Total comprehensive income for the financial year	**313.2**	247.6
Attributable to:		
Owners of the parent	**313.1**	247.4
Non-controlling interest	**0.1**	0.2
	313.2	247.6

The results relate entirely to continuing operations.

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.

Recurring

Recurring revenue is the largest source of income for the Group encompassing: platform fees, fund management fees, interest on client money, ongoing adviser charges and renewal commission.

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 recurring 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

Transactional revenue is mainly comprised of fees on stockbroking transactions and initial adviser charges. The price is determined in relation to the specific transaction type and are frequently flat fees or based on a charge over assets. 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. 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.

Other
Other revenue is made up entirely of the provision of funds data services and research to external parties through Funds Library. Billing is 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 is deferred over the contract period. Those amounts billed in arrears are 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 3 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 2020 £m	Year ended 30 June 2019 £m
Recurring Revenue		
Platform Fees	**234.4**	228.2
Fund Management Fees	**63.6**	68.3
Ongoing Adviser Fees	**10.2**	11.5
Interest earned on client money	**91.2**	73.5
Renewal commission	**4.9**	5.8
Transactional Revenue		
Fees on stockbroking transactions	**127.3**	67.1
Initial adviser charges	**8.6**	9.1
Other transactional income	**4.2**	8.1
Other Revenue		
Other revenue	**6.5**	8.9
Total Revenue	**550.9**	480.5

1.2 Segmental reporting

Under IFRS 8, operating segments are required to be determined based upon the Group's internal organisation and management structure 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-to-investor investment service administering investments in ISA, SIPP, Fund and Share accounts and Active Savings, providing services for individuals and corporates. It is considered that segmental reporting does not provide a clearer or more accurate view of the reporting within the Group. 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. This is in contrast to the prior year, where all leases were classified as operating leases – see section 5.1 for further details.

Marketing and distribution costs
Marketing and distribution costs include the advertising and marketing costs, as well as the cost of providing statements and information to clients.

Operating profit has been arrived at after charging:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Depreciation of owned plant and equipment and rights of use assets (note 2.3)	**8.4**	5.4
Amortisation of other intangible assets	**5.2**	4.6
Marketing costs	**23.9**	12.7
Operating lease rentals payable – property	**0.1**	3.4
Office running costs – excluding operating lease rents payable	**4.3**	3.4
FSCS costs	**13.7**	6.8
Other operating costs	**58.1**	45.9
Staff costs (note 1.5)	**101.2**	97.2
Operating costs	**214.9**	179.4

1.4 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Audit fees		
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	**–**	–
Fees payable to the Company's auditors and its associates for the audits of the Company's subsidiaries	**0.2**	0.1
Audit related assurance services	**0.2**	0.3
	0.4	0.4

Audit fees for the 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 70.

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 on an accruals basis as the services are provided.

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salaries and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share-based remuneration schemes as described in note 1.10. Other pension costs relate wholly to defined contribution schemes.

	Year ended 30 June 2020 No.	Year ended 30 June 2019 No.
The average monthly number of employees of the Group (including Executive Directors) was:		
Operating and support functions	**1,175**	1,163
Administrative functions	**424**	411
	1,599	1,574
Their aggregate remuneration comprised:	**£m**	**£m**
Wages and salaries	**84.9**	79.8
Social security costs	**6.8**	8.5
Share-based payment expenses	**3.6**	3.8
Other pension costs	**10.0**	9.7
Total costs paid for staffing	**105.3**	101.8
Capitalised in the year	**(4.1)**	(4.6)
Staff costs	**101.2**	97.2

The staff costs of £105.3 million (2019: £101.8 million) include costs capitalised under intangible assets. In total, £3.4 million of wages and salaries (2019: £3.8 million), social security costs of £0.4 million (2019: £0.5 million) and pension costs of £0.3 million; (2019: £0.3 million) were capitalised. See note 2.2 for further detail of the amounts capitalised.

1.6 Finance income

Interest income is accrued on a time basis by reference to the principal balance and the effective interest rate applicable for the office bank accounts..

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Interest on bank deposits	**2.8**	2.8

1.7 Finance costs

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Commitment fees	**0.3**	0.3
Interest incurred on lease payables	**0.7**	–
Finance costs	**1.0**	0.3

The finance costs relate to the commitment fees paid in respect of a revolving credit facility taken up in the prior year. The facility allows the Group to draw up to £75 million (2019: £75 million) and is undrawn as at 30 June 2020. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn.

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.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Current tax: on profits for the year	**64.9**	58.4
Current tax: adjustments in respect of prior years	**0.3**	0.1
Deferred tax (note 2.8)	**0.4**	(0.2)
Deferred tax: adjustments in respect of prior years (note 2.8)	**(0.5)**	(0.1)
	65.1	58.2

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2020 (2019: 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 2020 £m	Year ended 30 June 2019 £m
Deferred tax relating to share-based payments	**0.7**	0.6
Current tax relating to share-based payments	**(0.9)**	(1.0)
	(0.2)	(0.4)

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 2020 the standard UK corporation tax rate will now remain at 19% rather than reducing to 17%. Accordingly, the Group's profits for this accounting year are taxed at 19%. Deferred tax has been recognised at 19%, being 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 17% 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 2020. In the current year the Group qualified as very large, under the HMRC rules and is required to pay corporation tax quarterly in advance. As a result the Group has ended up with a current tax asset in relation to overpayment in the preceding period.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit before tax	**378.3**	305.8
Tax at the standard UK corporation tax rate of 19.0% (2019: 19.0%)	**71.9**	58.1
Non-taxable income	**–**	(0.1)
Non-taxable gain on disposal of subsidiary	**(7.4)**	–
Items not allowable for tax	**0.7**	–
Adjustments in respect of prior years	**0.1**	–
Impact of the change in tax rate	**(0.2)**	0.2
Tax expense for the year	**65.1**	58.2
Effective tax rate	**17.2%**	19.0%

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.

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 2020 (2019: nil).

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	**313.1**	247.4
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	**(527,322)**	(125,270)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	**44,555**	382,065
Weighted average number of ordinary shares for the purposes of basic EPS	**473,835,858**	474,575,420
Weighted average number of dilutive share options held by HL EBT and SIP that have not vested unconditionally with employees	**989,475**	1,189,428
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,825,333**	475,764,848
Earnings per share	**Pence**	Pence
Basic EPS	**66.1**	52.1
Diluted EPS	**65.9**	52.0
Underlying basic EPS[1]	**57.9**	52.1
Underlying diluted EPS[1]	**57.8**	52.0

1 Underlying earnings are defined as the net profit attributable to equity holders of the parent company allowing for deduction of one-off items. For the year ended 30 June 2020 the one-off items deducted are the gains on disposal of Funds Library and the related costs.

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 and are treated as non-distributable profits.

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) – an 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.

Details of the share options and share awards outstanding during the year are as follows:

	Year ended 30 June 2020		Year ended 30 June 2019	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	**891,943**	**1,191.4**	856,927	1,093.2
Granted during the year	**472,607**	**1,163.0**	263,238	1,384.0
Exercised during the year	**(376,102)**	**998.5**	(197,460)	1,044.2
Forfeited during the year	**(162,442)**	**1,315.5**	(30,762)	1,048.0
Outstanding at the end of the year	**826,006**	**1,238.6**	891,943	1,191.4
Exercisable at the end of the year	**38,015**	**992.8**	24,057	1,067.6
Executive Option Scheme				
Outstanding at beginning of the year	**1,838,711**	**759.6**	2,524,947	957.3
Granted during the year	**137,104**	**–**	194,277	–
Exercised during the year	**(304,841)**	**655.3**	(583,217)	1,116.2
Lapsed during the year	**(33,036)**	**1,329.0**	–	–
Forfeited during the year	**(112,496)**	**1,150.6**	(297,296)	1,239.3
Outstanding at the end of the year	**1,525,442**	**674.9**	1,838,711	759.6
Exercisable at the end of the year	**425,224**	**902.7**	230,354	642.2
SIP				
Outstanding at beginning of the year	**34,885**	**23.5**	37,235	23.5
Exercised during the year	**–**	**23.5**	(2,350)	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 1,806.8 pence (2019: 2,037.4 pence).

1.10 Share-based payments continued

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2020		Year ended 30 June 2019	
	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	**1,279,819**	**927.9**	1,285,819	865.0
1-2 years	**332,321**	**952.0**	895,004	1,021.2
2-3 years	**615,820**	**891.1**	414,037	1,046.3
3-4 years	**71,948**	**0.0**	98,731	0.0
4-5 years	**86,425**	**0.0**	71,948	0.0
	2,386,333	**860.1**	2,765,539	889.3

The fair value at the date of grant of options awarded during the year ended 30 June 2020 and the year ended 30 June 2019 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2020	At 30 June 2019
Weighted average share price	**1,764.9p**	1,974.3p
Expected dividend yields	**3.05%**	1.81%
SAYE		
Weighted average exercise price	**1,163p**	1,384.0p
Expected volatility	**34%**	28%
Risk-free rate	**0.12%**	0.80%
Expected life	**3 years**	3 years
Fair value	**294.0p**	814.9p
Executive scheme		
Weighted average exercise price	**0.00p**	0.00p
Expected volatility	**30%**	30%
Risk-free rate	**0.37%**	1.45%
Expected life	**4.7 years**	4.6 years
Fair value	**1,806.1p**	2,046.0p

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 2020

	Note	At 30 June 2020 £m	At 30 June 2019 £m
ASSETS			
Non-current assets			
Goodwill	2.1	**1.3**	1.3
Other intangible assets	2.2	**28.0**	23.0
Property, plant and equipment	2.3	**33.2**	16.0
Deferred tax assets	2.8	**3.1**	3.8
		65.6	44.1
Current assets			
Investments	2.4	**0.6**	1.1
Derivative financial instruments	2.5	**0.1**	0.1
Trade and other receivables	2.6	**973.2**	748.6
Cash and cash equivalents	2.7	**235.9**	179.3
Current tax assets		**0.7**	–
		1,210.5	929.1
Total assets		**1,276.1**	973.2
LIABILITIES			
Current liabilities			
Trade and other payables	2.9	**696.7**	485.7
Derivative financial instruments	2.5	**0.1**	–
Current tax liabilities		**–**	27.5
		696.8	513.2
Net current assets		**513.7**	415.9
Non-current liabilities			
Provisions	2.10	**0.8**	0.7
Non-current liabilities	2.9	**1.0**	–
Non-current lease liabilities	2.11	**19.9**	–
Total liabilities		**718.5**	513.9
Net assets		**557.6**	459.3
EQUITY			
Share capital	3.1	**1.9**	1.9
Shares held by EBT reserve		**(6.3)**	(3.4)
EBT reserve		**(1.9)**	1.5
Retained earnings		**564.6**	457.9
Total equity, attributable to the owners of the parent		**558.3**	457.9
Non-controlling interest	3.1	**(0.7)**	1.4
Total equity		**557.6**	459.3

The consolidated financial statements on pages 125 to 158 were approved by the Board and authorised for issue on 6 August 2020 and signed on its behalf by:

Philip Johnson
Chief Financial Officer

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 2020 £m	Year ended 30 June 2019 £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 and HLAS, will remain profitable and cash generative. HLAS made a small loss in the financial year, but has a net asset position as at 30 June 2020. 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 2018 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 28,000.

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.

2.2 Other intangible assets continued

	Customer list £m	Computer software £m	Internally developed software £m	Total £m
Cost				
At 1 July 2018	1.0	13.8	14.6	29.4
Additions	2.8	3.6	3.1	9.5
At 30 June 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**
Accumulated amortisation				
At 1 July 2018	0.2	9.0	2.1	11.3
Charge	0.1	2.6	1.9	4.6
At 30 June 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**
Carrying amount				
At 30 June 2020	**3.8**	**4.2**	**20.0**	**28.0**
At 30 June 2019	3.5	5.8	13.7	23.0
At 1 July 2018	0.8	4.8	12.5	18.1

The amortisation charge above is included in other 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.

Property, plant and equipment

	Right-of-use assets £m	Computer hardware £m	Office equipment £m	Total £m
Cost				
At 1 July 2018	–	29.3	10.4	39.7
Additions	–	6.7	0.9	7.6
At 30 June 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**
Accumulated depreciation				
At 1 July 2018	–	20.7	5.2	25.9
Charge	–	4.1	1.3	5.4
At 30 June 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**
Carrying amount				
At 30 June 2020	**17.3**	**11.9**	**4.0**	**33.2**
At 30 June 2019	–	11.2	4.8	16.0
At 1 July 2018	–	8.6	5.2	13.8

Leases recognised in property, plant and equipment

	Year ended 30 June 2020 £m
Right-of-use assets (see note 5.1)	
Buildings	**17.3**

Leases expenses recognised in the consolidated income statement

	Note	Year ended 30 June 2020 £m
Depreciation charge on right-of-use assets		
Buildings	1.3	**2.9**
Lease expense recognised in finance costs	1.7	**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 2020 £m	Year ended 30 June 2019 £m
At beginning of year	**1.1**	1.5
Purchases	**–**	–
Disposals	**(0.5)**	(0.4)
At end of year	**0.6**	1.1
Comprising:		
Current asset investment – UK listed securities valued at quoted market price	**0.6**	1.1

£0.6 million (2019: £1.1 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments.

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 2020 £m	Year ended 30 June 2019 £m
Assets	**0.1**	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 at year end.

All derivative positions are recognised as current assets or liabilities.

£1.7 million (2019: £2.2 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 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 balances 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. The revenue is recognised evenly over the period during which services are provided, with initial recognition occurring at commencement of the agreement period.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Financial assets:		
Trade receivables	**663.8**	461.4
Term deposits	**230.0**	215.0
Accrued income	**64.6**	59.1
Other receivables	**2.6**	4.5
	961.0	740.0
Non-financial assets:		
Prepayments	**12.2**	8.6
	973.2	748.6

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £642.0 million (2019: £429.3 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 £865.8 million (2019: £524.8 million) and the gross amount offset in the statement of financial position with trade payables is £223.8 million (2019: £95.5 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 period – see note 5.7 for further details.

The Group does not have any contract assets in respect of its revenue contracts with customers (2019: 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.

Deposits held by the Group on unbreakable terms greater than three months are classified as receivables.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Cash and cash equivalents:		
Group cash and cash equivalent balances	**232.8**	179.0
Restricted cash – balances held by HL EBT	**3.1**	0.3
	235.9	179.3

At 30 June 2020, 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 £7,506 million (2019: £5,398 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 £6,254 million (2019: £5,424 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.

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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 19%, being 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 2018	0.1	3.8	0.2	**4.1**
Credit to income	0.2	0.1	–	**0.3**
Charge to equity	–	(0.6)	–	**(0.6)**
At 30 June 2019	0.3	3.3	0.2	**3.8**
Credit / (charge) to income	(0.2)	0.3	(0.1)	**–**
Credit / (charge) to equity	–	(1.2)	0.5	**(0.7)**
At 30 June 2020	**0.1**	**2.4**	**0.6**	**3.1**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	1.4	0.5	**2.0**
>1 year after reporting date	–	1.0	0.1	**1.1**
	0.1	2.4	0.6	**3.1**

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 2020 £m	Year ended 30 June 2019 £m
Financial liabilities		
Trade payables	**637.1**	433.9
Current lease liabilities	**3.3**	–
Accruals	**22.3**	23.8
Other payables	**26.3**	19.6
	689.0	477.3
Non-financial liabilities		
Deferred income	**0.4**	1.1
Social security and other taxes	**7.3**	7.3
	696.7	485.7

Non-current financial liabilities	**Year ended 30 June 2020 £m**	Year ended 30 June 2019 £m
Other payables	**1.0**	–

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £634.8 million (2019: £425.6 million) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.6 above, 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. The decrease in the current year is in relation to the sale of Funds Library, which was responsible for the majority of the deferred income balance.

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.

Provisions are recognised for future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments.

	£m
Included within non-current liabilities – property costs	
At 1 July 2018	0.7
Charged during the year	–
At 30 June 2019	0.7
Charged during the year	0.1
At 30 June 2020	**0.8**

The provision on property-related costs represents the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of operating leases, in relation to the head office in Bristol. These property provisions are not expected to be fully utilised until 2026.

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.

See note 5.1 for further details

	Year ended 30 June 2020 £m
Lease liabilities greater than 12 months	19.9

SECTION 3: EQUITY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

	Attributable to the owners of the Parent						
	Share capital £m	Shares held by EBT reserve £m	EBT reserve £m	Retained earnings £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
At 1 July 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**
Total comprehensive income[1]	–	–	–	247.4	**247.4**	0.2	**247.6**
Employee Benefit Trust							
Shares sold in the year	–	15.1	–	–	**15.1**	–	**15.1**
Shares acquired in the year	–	(15.0)	–	–	**(15.0)**	–	**(15.0)**
HL EBT share sale	–	–	(7.3)	–	**(7.3)**	–	**(7.3)**
Reserve transfer on exercise of share options	–	–	2.6	(2.6)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	3.8	**3.8**	–	**3.8**
Current tax effect of share-based payments (note 1.8)	–	–	–	1.0	**1.0**	–	**1.0**
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(0.6)	**(0.6)**	–	**(0.6)**
Dividend paid (note 3.2)	–	–	–	(190.5)	**(190.5)**	–	**(190.5)**
At 30 June 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 income[1]	–	–	–	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)**
HL EBT 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**

1 Total comprehensive income includes profit after tax for the year and are the same figure.

SECTION 3: EQUITY
NOTES TO THE GROUP FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3.1 Share capital

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £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
	Shares	Shares
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 2020 £m	Year ended 30 June 2019 £m
2019 final dividend of 23.4p (2018 second interim dividend: 22.1p) per share	**110.9**	104.7
2019 special dividend of 8.3p (2018: 7.8p) per share	**39.3**	37.0
2020 interim dividend of 11.2p (2019: 10.3p) per share	**53.1**	48.8
Total dividends paid during the year	**203.3**	190.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 26.3 pence per share and a special dividend of 17.4 pence per share payable on 16 October 2020 to shareholders on the register on 25 September 2020. 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
2020 final dividend of 26.3p (2019 final dividend: 23.4p) per share	**124.6**
2020 special dividend of 17.4p (2019 special dividend: 8.3p) per share	**82.4**
Total dividends	**207.0**

The payment of these dividends will not have any tax consequences for the Group.

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 2020 No. of shares	Year ended 30 June 2019 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**571,856**	387,684
Representing % of called-up share capital	**0.12%**	0.08%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Net cash from operating activities			
Profit for the year after tax		**313.2**	247.6
Adjustments for:			
Income tax expense		**65.1**	58.2
Gain on disposal of subsidiary	4.1	**(38.8)**	–
Depreciation of plant and equipment		**8.4**	5.4
Amortisation of intangible assets		**5.2**	4.6
Share-based payment expense		**3.6**	3.9
Interest accrual on lease liabilities		**0.7**	–
Increase in provisions		**0.1**	–
Operating cash flows before movements in working capital		**357.5**	319.7
Increase in receivables		**(209.6)**	(128.4)
Increase/(decrease) in payables		**208.9**	121.0
Increase in derivative liabilities		**0.1**	–
Cash generated from operations		**356.9**	312.3
Income tax paid		**(91.5)**	(50.8)
Net cash generated from operating activities		**265.4**	261.5
Investing activities			
(Increase)/decrease in term deposits		**(15.0)**	7.0
Purchase of property, plant and equipment		**(5.8)**	(7.6)
Purchase of intangible assets		**(10.1)**	(9.5)
Proceeds on disposal of subsidiary	4.1	**38.2**	–
Proceeds on disposal of investments		**0.5**	0.4
Net cash generated from/(used in) investing activities		**7.8**	(9.7)
Financing activities			
Purchase of own shares in EBT		**(14.8)**	(15.0)
Proceeds on sale of own shares in EBT		**5.8**	7.7
Payment of principal in relation to lease liabilities		**(4.3)**	–
Dividends paid to owners of the parent		**(203.3)**	(190.5)
Net cash used in financing activities		**(216.6)**	(197.8)
Net increase in cash and cash equivalents		**56.6**	54.0
Cash and cash equivalents at beginning of year	2.7	**179.3**	125.3
Cash and cash equivalents at end of year (including restricted cash)	2.7	**235.9**	179.3

The adoption of IFRS 16 and adjustments made in relation to the adoption of that standard have had no impact on cash flows. As a result, the value of current lease liabilities included in other payables does not impact the change in payables in the current period.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF CASH FLOWS

4.1 Disposal of subsidiary

On 28 February 2020 the Group disposed of its interest in FundsLibrary Limited (Funds Library) 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. As part of the half-year report dated 31 December 2019, the assets of FundsLibrary Limited were shown as held for sale on the balance sheet.

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 Funds Library which have been included in the profit for the 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 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

The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis as discussed on page 95.

The financial statements have been streamlined and presented to allow users to understand the primary statements and the related balances that make them up better. It is our aim to ensure that the information provided is pertinent and indicates the 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 clearly 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 critical 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, 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 2020. 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 the amounts reported or the accounting policies in these financial statements other than as described below:

Changes in accounting policy

In the year, the Group has adopted one new accounting standard, IFRS 16 'Leases', which became applicable for the accounting period commencing 1 July 2019. The standard replaces IAS 17 'Leases'. It fundamentally changes the way the Group accounts for leases, as previously unrecognised operating leases are now recognised on balance sheet as lease liabilities and right-of-use assets.

The Group has adopted the modified retrospective approach to application of the standard and as a result there has been no restatement of the prior period figures, but opening reserves have been adjusted. The opening liabilities in relation to these leases have been calculated as the present value of the future lease payments, at the point of adoption, discounted at the incremental borrowing rate as at 1 July 2019. 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%.

5.1 General information continued

A reconciliation of the presented minimum lease payments under operating leases presented in the prior year, under IAS 17, to the liabilities under IFRS 16 are below:

	30 June 2019 £m
Operating lease commitments as at 30 June 2019	**23.9**
Impact of treatments for VAT	**3.8**
Effect of discounting at relevant incremental borrowing rate	**(2.1)**
Short term lease	**(0.2)**
Lease Liabilities recognised on adoption	**25.4**

On the date of adoption, the Group entered into another lease for property that has been accounted for under IFRS 16, but which did not impact the reconciliation upon adoption from operating lease commitments to the lease liabilities under IFRS 16. The value of this asset was £2.8 million. It is included in the opening value of lease liabilities, but does not form part of the reconciliation to the operating lease commitments presented at 30 June 2019.

The right-of-use assets recognised in the period were initially measured on a retrospective basis, as though the standard had always been applied. The new lease entered into at the start of the period was measured as the value of the lease liability adjusted for the amounts of any prepaid or accrued lease payments and any dilapidation costs that were likely to be incurred.

All of the leases and the related right-of-use assets recognised in the period relate to property, being the offices of Group companies. As a result they have been accounted for as a part of property, plant and equipment, due to the other assets held under this classification by the Group are complementary in nature. The total value of assets recognised as at 1 July 2019 was £20.8 million. In the year the Group disposed of Funds Library, a subsidiary company and as part of the disposal disposed of leases and right-of-use assets with initial value of £0.6m and £0.6 million respectively.

Upon adoption of the standard, the following adjustments were made to the Statement of Financial Position as at 1 July 2019

- Right-of-use assets, presented in Property, Plant and Equipment of £20.8 million were recognised;
- Lease liabilities of £28.2 million were recognised, in respect of the leases entered into up to and including 1 July 2019 and recognised in lease liabilities and other payables for non-current and current balances respectively;
- Accruals for lease incentives decreased by £3.3 million;
- Opening reserves were adjusted by £3.5 million, including a deferred tax impact of £0.6 million.

In the year to 30 June 2020 the adoption of IFRS 16 has led to an increase in expenses in the period of £0.3 million.

The standard affords a number of practical expedients upon transition to IFRS 16 and the Group has taken advantage of the following:

- No reassessment has taken place of contracts previously identified as leases under IAS 17 and IFRIC 4;
- Reliance on assessments performed prior to adoption of whether or not a lease is onerous;
- Accounting for leases with a remaining life of less than 12 months as at the date of transition as short-term leases;
- Exclusion of initial direct costs from the measurement of right-of-use asset at the date of initial application.

The impact of the adoption of the standard on the accounting policies of the company are as follows:

Property, plant and equipment
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 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 in a straight-line across the useful economic life for both owned and leased assets, where the useful economic life is determined by management upon purchase for owned assets and is the lease term for all leased assets.

Other payables

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.

The Group has other short-term leases, which are leases with a remaining life of less than twelve months upon adoption of IFRS 16. Expenses in relation to rent are accounted for on a straight-line basis, with expenses recognised in profit or loss.

The following standards have also been adopted in the current period, but do not have a material impact on these financial statements.

- Amendments to IFRS 9 'Prepayment Features with Negative Compensation';
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';
- Annual Improvements to IFRS Standards 2015–2017 Cycle:
  - Amendments to IFRS 3 Business Combinations,
  - IFRS 11 'Joint Arrangements',
  - IAS 12 'Income Taxes' and
  - IAS 23 'Borrowing Costs'
- Amendments to IAS 19 'Employee Benefits Plan Amendment, Curtailment or Settlement';
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

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 IFRS 3 'Definition of a business';
- Amendments to IAS 1 and IAS 8 'Definition of material';
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

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.

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 Key sources of judgements and 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.

5.3 Contingencies and commitments

Operating lease commitments – as lessee

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Minimum lease payments under operating lease recognised as an expense in the year	**0.1**	3.4
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**	3.7
In the second to fifth years inclusive	**–**	14.3
After five years	**–**	5.9
Total minimum lease payments	**0.1**	23.9

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, which has meant that the majority of leases are accounted for under that standard. 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 (2019: £0.1 million) for IT equipment.

Contingencies
The Group operates in a highly regulated environment and, in the ordinary course of business, is required to provide information to various authorities as part of informal and formal requests and enquiries. While there are inherent uncertainties in the outcome of such enquiries, it is not practicable to estimate the financial impact, if any, on the Group's results or net assets at the year end.

5.4 Subsidiaries

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in note 6.4 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 6 August 2020 the Directors proposed a final ordinary dividend payment of 26.3 pence per ordinary share and a special dividend of 17.4 pence per share, payable on 16 October 2020 to all shareholders on the register at the close of business on 25 September 2020 as detailed in note 3.2.

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:

During the years ended 30 June 2020 and 30 June 2019, the Company has been party to a lease with Peter Hargreaves, a significant shareholder and former Director, for rental of the old head office premises at Kendal House. A 10 year lease was signed on 6 April 2011 for a rental of part of the building, to be used for a small number of staff and for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

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 in the current period – see note 6.4 for further details.

During the years ended 30 June 2020 and 30 June 2019, 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 either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Short-term employee benefits	**10.3**	5.9
Post-employment benefits	**0.2**	0.1
Share-based payments	**2.2**	2.3
	12.7	8.3

In addition to the amounts above, four key management personnel (2019: eight) received gains of £0.6 million (2019: £1.6 million) as a result of exercising share options. During the year, awards were made under executive option schemes for 9 key management personnel (2019: 10).

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 2020 £m	Year ended 30 June 2019 £m
Short-term employee benefits	**4.7**	1.4
Share-based payments	**0.6**	0.9
	5.3	2.3

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2019: £0.2 million).

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Emoluments of the highest paid Director	**2.7**	0.6[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	1
Number of Directors who were members of money purchase pension schemes	**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.

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Financial assets								
Investments:								
Equity investments	**0.5**	1.1	**–**	–	**–**	–	**0.5**	1.1
Derivative financial instruments	**0.1**	0.1	**–**	–	**–**	–	**0.1**	0.1
Trade and other receivables:								
Trade receivables	**–**	–	**663.8**	461.4	**–**	–	**663.8**	461.4
Other receivables	**–**	–	**2.6**	4.5	**–**	–	**2.6**	4.5
Accrued income	**–**	–	**64.6**	59.1	**–**	–	**64.6**	59.1
Cash and cash equivalents	**–**	–	**235.9**	179.3	**–**	–	**235.9**	179.3
Term deposits	**–**	–	**230.0**	215.0	**–**	–	**230.0**	215.0
Total financial assets	**0.6**	1.2	**1,196.9**	919.3	**–**	–	**1,197.5**	920.5
Financial liabilities								
Derivative financial instruments	**0.1**	–	**–**	–	**–**	–	**0.1**	–
Trade payables	**–**	–	**–**	–	**637.1**	433.9	**637.1**	433.9
Accruals	**–**	–	**–**	–	**22.3**	23.8	**22.3**	23.8
Other payables including current lease liabilities	**–**	–	**–**	–	**30.6**	19.6	**30.6**	19.6
Non-current lease liabilities	**–**	–	**–**	–	**19.9**	–	**19.9**	–
Non-current provisions	**–**	–	**–**	–	**0.8**	0.7	**0.8**	0.7
Total financial liabilities	**0.1**	–	**–**	–	**710.7**	478.0	**710.8**	478.0

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 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**
At 30 June 2019				
Financial assets at fair value through profit or loss	1.1	–	–	1.1
Trading derivatives:				
Foreign exchange Assets	–	0.1	–	0.1
Foreign exchange Liabilities	–	–	–	–
	1.1	0.1	–	1.2

There were no transfers between Level 1 and Level 2 assets during the year (2019: £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 rely on market forward rates as quoted at the end of the period 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. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2020, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £465.9 million (2019: £394.3 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 £13,760 million at 30 June 2020 (2019: £10,822 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.

	2020 £m	2019 £m
Interest on client money +50bps (0.5%)	**28.0**	24.2
Interest on client money -50bps (0.5%)	**(28.0)**	(24.2)
Finance income +50bps (0.5%)	**2.3**	1.9
Finance income -50bps (-0.5%)	**(2.3)**	(1.9)

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. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

- 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 2020, the fair value of investments recognised on the Group statement of financial position was £0.5 million (2019: £1.1 million). A 20% move in equity prices, in isolation, would have an impact of £0.1 million (2019: £0.2 million).

As a main source of revenue is based on the value of client assets under administration, the Group has an indirect exposure to price risk on investments held on behalf of clients. These assets are not on the Group statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

In addition, the Group acts as a private client investment manager, unit trust manager and agency stockbroker on a matched basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by limits and monitoring controls.

5.7 Financial instruments continued

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 2020				At 30 June 2019			
	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	**637.1**	**–**	**–**	**637.1**	433.9	–	–	433.9
Other payables, including current lease liabilities	**26.5**	**3.1**	**1.0**	**30.6**	19.6	–	–	19.6
Non-current lease liabilities	**–**	**–**	**19.9**	**19.9**	–	–	–	–
Accruals	**22.3**	**–**	**–**	**22.3**	23.8	–	–	23.8
Derivative liabilities at fair value through profit and loss	**0.1**	**–**	**–**	**0.1**	–	–	–	–
Non-current provisions	**–**	**–**	**0.8**	**0.8**	–	–	0.7	0.7
	686.0	**3.1**	**21.7**	**710.8**	477.3	–	0.7	478.0

The group has access to a revolving credit facility, with a UK bank. The facility allows the Group to draw up to £75 million (2019: £75 million) and is undrawn as at 30 June 2020. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn.

Included in the trade and other payables and the lease liabilities above are figures in respect of leases 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 as below:

	Year ended 30 June 2020 £m
Within one year	**4.7**
In the second to fifth years inclusive	**17.2**
After five years	**3.9**
Total minimum lease payments	**25.8**

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 2020 £m	At 30 June 2019 £m
Financial assets at amortised cost		
Cash and cash equivalents (including restricted cash)	**235.9**	179.3
Trade and other receivables	**666.4**	465.9
Accrued income	**64.6**	59.1
Term deposits	**230.0**	215.0
Financial assets at fair value through profit or loss		
Financial investments	**0.5**	1.1
Derivative financial assets	**0.1**	0.1
	1,197.5	920.5

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.

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 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**
At 30 June 2019						
Trade and other receivables:						
Trade receivables	452.2	6.0	1.6	0.8	0.8	**461.4**
Other receivables	4.5	–	–	–	–	**4.5**
Accrued income	59.1	–	–	–	–	**59.1**
Term deposits	215.0	–	–	–	–	**215.0**
Derivative assets	0.1	–	–	–	–	**0.1**
	730.9	6.0	1.6	0.8	0.8	**740.1**
Investments held at fair value	1.1	–	–	–	–	**1.1**
	732.0	6.0	1.6	0.8	0.8	**741.2**

During the year, the Group has provided £nil (2019: £nil) in respect of receivables that are not expected to be recovered. At the end of the reporting period, £0.1 million (2019: £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 (2019: £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.

5.7 Financial instruments continued

The following table 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, £263.3 million (2019: £154.9 million) is due from financial institutions regulated by the FCA in the course of settlement as a result of daily trading and £5.2 million (2019: £3.9 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.

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 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**
At 30 June 2019				
Trade receivables	154.9	0.2	297.1	**452.2**
Other receivables	4.5	–	–	**4.5**
Accrued income	38.0	–	21.1	**59.1**
Term deposits	215.0	–	–	**215.0**
Derivative assets	0.1	–	–	**0.1**
Investments held at fair value through profit and loss	1.1	–	–	**1.1**
	413.6	0.2	318.2	**732.0**

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.

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 £566.5 million as at 30 June 2020 (2019: £459.8 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 **https://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 2020 £m	At 30 June 2019 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.4	**60.0**	51.7
		60.0	51.7
Current assets			
Trade and other receivables	6.5	**393.1**	242.3
Cash and cash equivalents	6.6	**86.1**	22.5
Current tax asset		**–**	1.0
		479.2	265.8
Total assets		**539.2**	317.5
LIABILITIES			
Current liabilities			
Trade and other payables	6.7	**250.4**	43.2
		250.4	43.2
Net current assets		**228.8**	222.6
Total liabilities		**250.4**	43.2
Net assets		**288.8**	274.3
EQUITY			
Share capital	6.9	**1.9**	1.9
Share premium	6.9	**–**	–
Capital redemption reserve	6.9	**–**	–
Retained earnings	6.9	**286.9**	272.4
Total equity		**288.8**	274.3

The Company recorded a profit for the financial year ended 30 June 2020 of £214.2 million (2019: £199.4 million).

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 159 to 164, were approved by the Board and authorised for issue on 7 August 2020.

Philip Johnson
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Share capital £m	Retained earnings £m	Total equity £m
At 1 July 2018	1.9	259.6	**261.5**
Profit and total comprehensive income	–	199.4	**199.4**
Increase in investment in subsidiaries	–	3.9	**3.9**
Dividend paid	–	(190.5)	**(190.5)**
At 30 June 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**

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 2020 £m	Year ended 30 June 2019 £m
Net cash from operating activities			
Cash generated from operations	6.8	**239.1**	209.8
Net cash from operating activities		**239.1**	209.8
Investing activities			
Increase in term deposits		**(15.0)**	(8.0)
Purchase of investment in subsidiary		**(6.0)**	(4.0)
Proceeds on disposal of subsidiary	6.4	**48.8**	–
Net cash from / (used) in investing activities		**27.8**	(12.0)
Financing activities			
Dividends paid to owners of the parent		**(203.3)**	(190.5)
Net cash used in financing activities		**(203.3)**	(190.5)
Net increase in cash and cash equivalents		**63.6**	7.3
Cash and cash equivalents at beginning of year	6.6	**22.5**	15.2
Cash and cash equivalents at end of year	6.6	**86.1**	22.5

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 the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 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's profit after tax for the year was £214.2 million (2019: £199.4 million).

The Auditors' remuneration for audit and other services is disclosed in note 1.4 to the consolidated financial statements.

6.4 Investment in subsidiaries

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Investments in subsidiaries		
At beginning of year	**51.7**	43.8
Increase in investment in subsidiaries	**9.6**	7.9
Disposal of subsidiary	**(1.3)**	–
At end of year	**60.0**	51.7
Comprising:		
Non-current investments – Investments in subsidiaries valued at cost less impairment	**60.0**	51.7

A list of the investments in subsidiaries is shown below, along with their country of incorporation and principal activity. Investments in subsidiaries are shown at cost, which is the fair value of the consideration paid. Unless otherwise disclosed below, all subsidiaries have one ordinary class of share only and all shares are held by Hargreaves Lansdown plc.

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 148.

6.4 Investment in subsidiaries continued

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.

6.5 Trade and other receivables

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	**162.2**	26.6
Term deposits	**230.0**	215.0
	392.2	241.6
Non-financial assets		
Prepayments	**0.9**	0.7
	393.1	242.3

6.6 Cash and cash equivalents

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	**86.1**	22.5

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.

6.7 Trade and other payables

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Financial liabilities		
Amounts payable to subsidiaries	**247.2**	39.1
Other payables	**1.0**	2.1
Deferred income and accruals	**2.2**	2.0
	250.4	43.2

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.

6.8 Notes to the company statement of cash flows

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit for the year after tax	**214.1**	199.4
Adjustments for:		
Income tax credit	**0.7**	(1.1)
Gain on disposal of subsidiary	**(47.2)**	–
Operating cash flows before movements in working capital	**167.6**	198.3
(Increase) / decrease in trade receivables	**(135.8)**	13.5
Increase / (decrease) in trade payables	**207.3**	(2.0)
Cash generated from operations	**239.1**	209.8

6.9 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 2019 and 2020 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 2019 and 2020 financial years.

Details of the movements in retained earnings are set out in the parent company statement of changes in equity.

6.10 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 (2019: 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 2020 £m	Year ended 30 June 2019 £m
Dividends received from subsidiaries	**172.0**	204.0
Management charges to subsidiaries	**0.5**	0.7
Capital contribution to subsidiaries	**9.6**	7.9
Amounts owed by related parties at 30 June	**162.2**	26.6
Amounts owed to related parties at 30 June	**247.2**	39.1

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.

6.11 Events after the reporting period

Events after the reporting period are shown in note 5.5 of the consolidated financial statements on page 152.

6.12 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 2020 £m	At 30 June 2019 £m
Financial assets at amortised cost		
Cash and cash equivalents	**86.1**	22.5
Included within trade and other receivables:		
Term deposits	**230.0**	215.0
Amounts receivable from subsidiaries and EBT	**162.2**	26.6
	478.3	264.1

OTHER INFORMATION

DIRECTORS, COMPANY SECRETARY, ADVISERS AND SHAREHOLDER INFORMATION

Executive Directors
Chris Hill
Philip Johnson

Non-Executive Directors
Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Dan Olley
Roger Perkin
Stephen Robertson
John Troiano

Company Secretary
Alison Zobel

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

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Gross revenue	**550.9**	**480.5**	**447.6**	**385.7**	**388.3**
Commission payable/loyalty bonus	–	–	(0.1)	(0.1)	(61.8)
Net revenue[1]	**550.9**	**480.5**	**447.5**	**385.6**	**326.5**
Fair value gains on derivatives	1.7	2.2	2.3	2.2	0.0
Operating costs	214.9	(179.4)	(158.7)	(126.7)	(108.2)
Operating profit	**337.7**	**303.3**	**291.1**	**261.1**	**218.3**
Finance income	2.8	2.8	1.5	1.2	0.6
Finance costs	(1.0)	(0.3)	(0.2)	–	–
Other gains	38.8	–	–	3.5	–
Profit before tax	**378.3**	**305.8**	**292.4**	**265.8**	**218.9**
Tax	(65.1)	(58.2)	(55.7)	(53.8)	(41.6)
Profit after tax	**313.2**	**247.6**	**236.7**	**212.0**	**177.3**
Non-controlling interests	(0.1)	(0.2)	(0.4)	(0.3)	(0.4)
Profit for the financial year attributable to owners of the parent company	313.1	247.4	235.3	211.7	176.9
Equity shareholders' funds	558.3	457.6	404.0	306.9	253.7
Weighted average number of shares for the purposes of diluted EPS (million)	**475.70**	**475.76**	**475.41**	**474.73**	**474.72**

	Pence	Pence	Pence	Pence	Pence
Equity dividends per share paid during year	42.9	40.2	30.5	34.8	33.5
Basic earnings per share	66.1	52.1	49.7	44.7	37.4
Diluted earnings per share	65.9	52.0	49.6	44.6	37.3
Underlying basic earnings per share	57.9	52.1	49.7	44.7	37.4
Underlying diluted earnings per share	57.8	52.0	49.6	44.6	37.3

1 Following the implementation of the Retail Distribution Review in March 2014, the gross reported revenue was boosted by a new revenue stream and at the same time loyalty bonuses paid to Vantage clients were significantly increased. In order to better compare revenue performance across the five years above, net revenue which is total revenue less the commission payable and loyalty bonus has been shown.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

Within the Report and Financial Statements various alternative financial performance measures are referred to, which are non-GAAP (Generally Accepted Accounting Practice) measures. They are used in order to provide a better understanding of the performance of the Group and the table below states those which have been used, how they have been calculated and why they have been used.

Measure	Calculation	Why we use this measure
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.
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 recurring 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 recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring 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.

Measure	Calculation	Why we use this measure
Recurring 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 recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Transactional revenue	Revenue that is non-recurring 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 recurring 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.	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.	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

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

D

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

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

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

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

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

Platforum 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

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

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