

BEST EXECUTION AND ORDER MANAGEMENT POLICY

Final

1 September 2021

**HARGREAVES
LANSDOWN**

INTRODUCTION

This Policy sets out the approach taken by Hargreaves Lansdown ("HL") to ensure that the best outcomes are obtained for our clients on a consistent basis when transmitting orders to our network of brokers for execution.

This Policy takes into consideration all relevant regulatory requirements and guidance issued by the Financial Conduct Authority ("FCA") and the European Securities and Markets Authority ("ESMA"), notably Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and applies to the following HL entities:

- Hargreaves Lansdown Asset Management Limited ("HLAM") – who are responsible for the execution of client orders; and
- Hargreaves Lansdown Advisory Services Limited ("HLAS") – who are responsible for receiving and transmitting client orders to HLAM for execution.

For the purposes of this Policy, all entities listed above will be collectively referred to as "HL" throughout this Policy.

PURPOSE

The policy sets out HL's approach to achieving Best Execution for our clients in accordance with regulatory requirements. These regulatory requirements require HL to take all sufficient steps to obtain, when providing quotes and executing client orders, the best possible result for our clients by considering all relevant execution factors and any specific client instructions.

The regulatory obligation to consistently provide Best Execution applies to all in-scope MiFID II financial instruments. In order to achieve Best Execution for our clients, HL has developed and implemented a Best Execution governance and control framework which is applied across all in-scope financial instruments offered to our clients.

SCOPE

This policy is applicable to the following products that HL offers to our clients:

- Equities;
- Bonds;
- Exchange Traded Products; and
- Funds

HL's obligation to provide Best Execution to our clients will arise in situations where it is providing quotes to clients, and where it is receiving client orders and routing these to our broker network for execution. However, this obligation may differ when a specific instruction from a client has been received in relation to the handling or execution of their order. For further information on this, reference should be made to **Specific Client Instructions** section of this Policy.

BEST EXECUTION APPROACH

HOW CLIENTS PLACE ORDERS

HL is able to receive client orders through the following communication channels:

- Our website;
- HL App (which is available to all Android and Apple users);
- Telephone; and
- Our postal dealing facility.

HL will utilise our broker network to execute and fulfil client orders and requests. HL is responsible for maintaining oversight of the execution quality achieved by the respective broker.

EXECUTION FACTORS

In order to achieve the best result for our clients, HL considers the following factors when executing client orders:

- **Price:** The price of the financial instrument at which a transaction is executed;
- **Cost:** This includes explicit external costs such as brokerage, clearing fees, as well as implicit costs such as spreads and slippage;
- **Speed:** The amount of time that elapses between the order being placed and the successful execution of that order;
- **Likelihood of execution and settlement:** The ability of HL to place the client's order and settle it;
- **Size:** The size of the transaction executed for a client, accounting for how this impacts the price of execution; and
- **Nature of the order and any other relevant considerations:** This covers any other factors not listed above that HL may wish to prioritise in order to achieve best execution for our clients (e.g. anonymity and/or reduce the market impact of the order).

EXECUTION CRITERIA

When executing a client order, HL will also determine the weighting of execution factors, typically by considering the following factors:

- **The client:** All clients will be treated as Retail clients;
- **The client order:** Size and urgency of order;
- **The financial instrument:** What instruments are subject to the order; and

- **The execution brokers:** Where the client order can be directed and executed.

TYPES OF ORDERS

There are four ways our clients can give HL instructions for the purchases of Equities, Bonds and Exchange Traded Products. These are:

- 1) **'At Best'**: an order to buy or sell at the best price available in the market at that time. We will deal at best unless you state otherwise. If you deal by telephone we normally check the current market price and deal while you are on the telephone. On some occasions we may have to place the order manually and we may be unable to confirm the deal on the telephone. As market prices can change at any time, it is possible that the price could have gone up or down since the price was quoted to you. If you are concerned about this you should consider the use of a limit order;
- 2) **'Fill or Kill'**: an order to buy or sell at a specified price or better. If your order cannot be filled at the moment we attempt to place it in the market, it will be cancelled;
- 3) **'Limit Order'**: an order to buy or sell which is triggered once your specified price has been observed; and
- 4) **'Stop Loss'**: an order to sell an existing shareholding which is triggered if the bid price falls to, or below, a specified level.

THE EXECUTION PROCESS

PRIORITISATION OF EXECUTION FACTORS

In order to ensure that HL is achieving Best Execution for our clients, HL utilise an RSP (Retail Service Provider¹) model that facilitates best execution for the majority of clients' orders, prioritising the likelihood of execution at best price and costs. Where best execution cannot be achieved through the RSP, HL will generally prioritise price and speed together. However, the other execution factors including cost, size and likelihood of execution and settlement will still be considered.

However, it should be noted that depending on the nature of our client orders, the way in which we prioritise the execution factors outlined could be subject to change, if this is the case we will agree this with the client before execution to ensure that the interests and desired outcomes of our clients are met.

SPECIFIC CLIENT INSTRUCTIONS

If HL receives an order from a client that includes a specific instruction in relation to the handling and execution of their order (e.g. the client directs HL to use a specific broker) then, subject to our legal and regulatory obligations, HL will execute the client's order in accordance with the specific instruction. This

¹ A platform or system used by HLAM where market makers, who are typically brokerage houses, provide electronic quotes to retail investors via an online broker

means that to the extent of the specific instruction, HL's obligation of providing Best Execution will be satisfied by executing the order in accordance with the specific client instruction.

Where a specific instruction only covers a portion of an order (e.g. a specific broker has been requested to fulfil the order), and HL has discretion over the other elements of the order, then HL will fulfil its obligation of Best Execution in respect of the remaining elements of the order that are not covered by the specific instruction by acting in accordance with the execution factors and criteria outlined in this policy.

Where our clients submit a specific instruction in relation to their order, HL will review the consistency between these instructions and their execution as part of their ongoing Best Execution monitoring activities.

METHOD OF EXECUTION

HL executes all of our client orders through our broker network (a list of these brokers can be found in Appendix 1 of this Policy). When a client's request for a quote has been received, it will be passed through to our electronic order routing system, otherwise referred to as the RSP. Once passed through to the RSP, our broker network will automatically return a quote which provides our client with the best available price. Once the quote has been provided to our client, there will usually be a 15 to 30 second time period for our client to accept the quote before it expires. The time in which our clients have to execute their order will depend on the security being purchased and the nature of the market at the time the request for quote is submitted.

In the event that our clients cannot obtain a quote, or their order cannot be executed via the RSP, we will utilise our wider broker network to ensure that our clients order can be fulfilled (otherwise referred to as **manual dealing**²). To ensure that the broker selected by HL is providing our client with Best Execution, HL will use external market data to ensure that the quote provided aligns with what is being offered in the wider market.

Whilst HL will generally try to obtain a quote from more than one broker, this may not always be possible or beneficial. For example, in certain illiquid instruments, obtaining multiple quotes could adversely impact the relevant market and compromise HL's ability to provide Best Execution. In these particular instances, HL's Dealing Team will apply their professional experience and market knowledge to ensure that the broker selected is best suited to fulfil our clients order as requested.

Where circumstances arise that are beyond HL's control (e.g. volatile markets), it is possible that Best Execution may not be guaranteed for our clients.

Further information of the top five brokers used by HL for each of the products outlined in the Scope section of this policy, can be found on HL's [website](#).

² Manual dealing may involve dealing outside of a regulated market where trades may not be reported to the London Stock Exchange. Should this be necessary HL will gain your express consent before executing the order.

POSTAL DEALING

Where our clients decide to deal with HL via the post, any orders received will be collected and passed onto our Dealing Team who will be responsible for submitting the order via the RSP or by manual dealing, as outlined in the process above. Once the order has been fulfilled, HL will send a contract note (electronically or physically) to the client.

Please note that as per our Postal Dealing Terms and Conditions, all postal dealing requests will be handled within two to three days of receipt.

FUNDS

Where our clients submit a fund dealing instruction, these orders will initially be dealt with by one of our Fund Dealers, who will liaise with the respective Fund Administrator who will execute the order. Once the order has been confirmed, the deal confirmation is provided electronically to the client's account. Our clients can place orders in the following types of funds: unit trusts, an open-ended investment company ("OEIC") and unlisted collective investment funds.

SELECTING BROKERS

HL has implemented a governance and control framework for the onboarding of brokers. As part of the onboarding process, all prospective brokers are subject to checks against a number of qualitative and quantitative metrics that have been agreed internally. To ensure that HL's brokers continue to provide Best Execution to our clients, their performance and effectiveness are assessed on an ongoing basis as part of the wider Best Execution monitoring activities undertaken by HL.

EXECUTING ORDERS IN OVERSEAS INSTRUMENTS

Whilst HL has capabilities to execute client orders in overseas Equities, Bonds and Exchange Traded Products HL will only be able to accept such orders if they can be settled as a Crest Depository Interest (e.g. investments that are listed on exchanges based outside of the UK).

EXECUTING OUTSIDE OF THE EEA

HL may, in some instances (e.g. when a stock has been de-listed), transmit client orders to brokers that are located outside of the European Economic Area ("EEA"). In such cases, HL will ensure that the selected broker has adequate arrangements implemented to enable the firm to provide Best Execution to our clients (including how they prioritise the execution factors and criteria outlined in this policy).

EQUITIES AND EXCHANGE TRADED PRODUCTS

All orders in overseas equities and overseas Exchange Traded Products will be executed with either Winterflood Securities Ltd or Peel Hunt LLP and will be dealt at the overseas market price and converted into Pounds Sterling by the executing market maker at the prevailing interbank exchange rate. We will charge you a separate foreign exchange ("FX") charge on each deal, all of which are made available to our clients on the [Tariff of Charges](#) section of our website.

INTERNATIONAL BONDS / EUROBONDS

Where HL receives client orders for International Bonds / Eurobonds, if a price cannot be returned through the RSP, HL will use external market data maintained by the London Stock Exchange ("LSE") Orderbook for Retail Bonds ("ORB") to determine the price and depth of the market as per our clients request. Once this information has been gathered, HL will utilise our wider network of bond brokers to fulfil the client's order. If the client's order can be placed and executed in accordance with their request, then the deal will be executed and the client will receive a confirmation notice.

Where a price cannot be obtained by the Dealing Team on the LSE ORB, the Dealing Team will seek to trade Over The Counter ("OTC"). Prior to executing an OTC trade, HL will require client consent.

CLIENT ORDER HANDLING AND ORDER AGGREGATION

ORDER HANDLING

When handling client orders HL will:

- Promptly and accurately record and allocate all orders executed on behalf of clients;
- Carry out comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise; and
- Inform our clients about any material difficulties relevant to carrying out orders promptly upon becoming aware of the difficult.

ORDER AGGREGATION

In certain circumstances, particularly in relation to monthly dividend reinvestments, HL may combine our clients order with those of other clients (otherwise referred to as **order aggregation**) if we believe that this will obtain a more favourable price or it is more efficient to do so. Prior to doing so, HL will ascertain whether the execution strategy for each client is sufficiently similar so that they can be merged without compromising Best Execution for any of our clients. HL will also take into consideration any limits or specific instructions on the order.

HL will only aggregate or allocate client orders when the following conditions are met:

- The aggregation of orders and transactions will not work to the overall disadvantage of any client, when compared with other participating clients, whose orders are to be aggregated, as described below; and
- It is disclosed to each client whose order is to be aggregated that this may work to their disadvantage in relation to a particular order.

In the event that HL aggregates client orders, HL will:

- Treat all clients participating fairly;
- Ensure that clients who participate in an aggregated order will participate at the same price; and
- Continue to seek Best Execution.

Where we aggregate orders that may result in a less favourable price, our clients must provide us with consent that they are happy to proceed with the proposed structure of their order. In such scenarios where this consent has been provided by our clients, HL reserves the right to decide how to structure aggregated orders when placing them.

MONITORING AND REPORTING

HL will monitor the effectiveness of our execution arrangements on a regular basis to ensure that our clients continue to receive the best outcomes.

The outputs of some of these monitoring activities, specifically those required under Regulatory Technical Standards ("RTS") RTS 28 of MiFID II, will be made available on HL's website.

FEES

As part of the Best Execution regulatory obligations, HL is required to demonstrate that it is taking appropriate steps in order to provide Best Execution to our clients. As part of this, HL will ensure that the commission fees it charges clients are transparent, and do not hinder the client achieving Best Execution.

CONFLICTS OF INTEREST

HL has established a conflicts of interest governance and control framework to identify, assess and manage conflicts should these arise.

POLICY MANAGEMENT

DISTRIBUTION AND CONSENT

Whilst this Best Execution Policy can be found on our website, the key aspects of this Policy are contained in the Terms and Conditions which clients must sign as part of the onboarding process before they can commence trading.

REVIEW

HL will formally review this Policy annually. Any material changes to this Policy (including changes to HL's business activities or any regulatory developments) will be communicated to clients accordingly and will be made available on HL's website.

FURTHER INFORMATION

Should any of our clients have any queries about our Best Execution arrangements, these can be made via our Helpdesk.

APPENDIX 1 – OUR BROKERS

Below is a list of brokers used by HL to fulfil client orders. Please note that this list is reflective as of 31 May 2021.

Product	Broker
Equities	Arden Partners PLC
	Joh. Berenberg, Gossler & Co. KG
	BMO Capital Markets Limited
	Canaccord Genuity Limited
	Cantor Fitzgerald Europe
	Cenkos Securities PLC
	J&E Davy (UK) Limited
	FinnCap Ltd
	Flow Traders B.V.
	Goodbody Stockbrokers
	Investec Bank PLC
	Jefferies International Limited
	JP Morgan Securities plc
	Liberum Capital Limited
	Marex Financial
	Singer Capital Markets Securities Limited
	Numis Securities Limited
	Panmure Gordon (UK) Limited
	Peel Hunt LLP
	RBC Europe Limited
	Societe Generale International Limited
	Shore Capital Stockbrokers Limited
	Stifel Nicolaus Europe Limited
Virtu Financial Ireland Limited	
WH Ireland Limited	
Winterflood Securities Limited	
Bonds	Canaccord Genuity Limited
	Guy Butler Limited
	King and Shaxson Limited
	RIA Capital Markets Ltd
	Peel Hunt LLP
	The Seaport Group Europe LLP
	Winterflood Gilts Limited
ETPs	Flow Traders B.V.
	Jefferies International Limited
	Peel Hunt LLP
	Susquehanna International Securities Limited
	Winterflood Securities Limited