Report and Financial Statements 2022

EMPOWERING PEOPLE TO SAVE AND INVEST WITH CONFIDENCE

HARGREAVES LANSDOWN

CONTENTS

Our purpose

We empower people to save and invest with confidence. Offering a service that supports them in building their financial resilience and achieving the right outcomes. We listen and respond to the needs of our clients and other stakeholders to evolve, grow and prosper collectively.

Who we are

We are the UK's largest digital wealth management service. For over 40 years, we have helped clients to manage their finances through our broad and easy to use service. Today we are trusted with more than £123 billion by 1,737,000 clients. We are a well established, FTSE 100 company, headquartered in Bristol employing over 2,000 people.

OUR PURPOSE DRIVES OUR STRATEGY

Transform the savings and investment experience

Combine the best of human expertise, augmented by digital capability

Deliver a uniquely personalised service to simply manage your financial health and wealth

FIND OUT MORE

Pg 4: Chair's Introduction
for the Chair's perspective on our client focused strategy

Pg 12: Strategy and KPIs
for further details on our Strategy and KPI's we will be using to measure progress and performance against our strategic pillars

... ACHIEVED THROUGH OUR 5 STRATEGIC PILLARS

The delivery of our strategy will encompass the whole business, as we optimise the way we work together to execute on the next stage of HL's growth. We are mobilising and monitoring delivery and execution across five pillars of our strategy.

Create a step change in Client Service & Efficiency

Accelerate Growth via our Integrated Proposition

Develop our Digital Backbone

Enable our People, Strengthening our Culture

Scale the Foundations

... GROUNDED IN OUR CULTURE AND OUR 5 KEY VALUES

Over 40 years of client service means we understand the important role we can play in building a better future for both our clients and wider society. Our culture, values and governance ensure we keep our clients at the heart of all we do and that we deliver this in a sustainable and responsible way.

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.

2 We go the extra mile

For our clients and for each other. We focus on driving positive outcomes, taking every opportunity to delight, inspire and reassure.

3 We do the right thing

We always aim to do the best for our clients. We are fair, honest and focus on the long-term. It's why our clients trust us, and how we earn their loyalty.

4 We make it easy

Savings and investments should be easy to access, understand and execute. We make things simple which gives our clients confidence to make important decisions at the right time.

5 We do it better

For over 40 years, HL has set the tone for the retail investment market. We are committed to energetically innovating and improving.

“We want to drive the next evolution in client experience.

TRANSFORMING THE SAVINGS AND INVESTMENT EXPERIENCE

Client focused strategy

During a challenging year of global economic, political and health adversity, HL has focused our time and attention on two key areas: helping clients today and building out tomorrow's strategy for sustainable growth and a market-leading offering in an increasingly competitive market.

Clients have responded to better insights and even more relevant information and services through a strong client retention rate, improved NPS score and a record number of clients adding to their accounts at tax year end. Across the country, a vast majority of investors are challenged with how best to save and invest during these unprecedented times. As the market leader, a position we don't take for granted, we are uniquely positioned to apply our insight, capabilities and resources to step up and transform today's client experience into one where retail investors have greater access to products, services and assistance with better outcomes than are available in the market today.

To achieve our purpose of empowering people to save and invest with confidence, we worked hard this year on a strategic plan and investment that focuses on greater efficiency, scale and accelerated growth through engaged and skilful leaders. Following months of detailed work by management and challenge from the Board, the executive team delivered its first Capital Markets Day ("CMD") on 22 February 2022. The Board unanimously supports the £175 million of strategic investment spend outlined at the CMD as the right thing to do to drive the business forward. This view has been reinforced through conversations with stakeholders since that time. The Board also worked closely with the CEO over the past year to help him build an exceptional management team with significant digital and business transformation experience to ensure the strategy is effectively delivered. With a focused strategic direction and resources in place to deliver it, the Board has given strong attention to ensuring there are appropriate governance and controls in place to oversee the delivery of the strategy including metric dashboards, risk oversight and regular review of major milestones and timelines. To read more about the strategy, please see pages 12 to 17.

Sustainable and responsible growth

ESG considerations have strengthened considerably at HL over the past year with progress in three key areas that align with our legal entities:

- HL's actions as a responsible business (PLC)
- HL's stewardship as a responsible fund manager (HLFM)
- HL's offering as a responsible investment and savings provider (HLAM) →

> "Our vision for ESG at HL is to inspire confidence for a sustainable, resilient, and successful financial future."

Deanna Oppenheimer
Chair

Each of the management team has a specific responsibility for driving our ESG strategy across the company. Some notable achievements in the year include:

- The launch of the Savings and Resilience Barometer in conjunction with Oxford Economics to give a comprehensive view of the nation's financial resilience.
- Improvements in our female representation, gender pay gap, and early work on ethnic representation.
- The first Sustainability Accounting Standards Board (SASB) report has been completed and published on our website.
- A new ESG investment policy has been approved, integrated, and published on our website.
- The launch of the HL Growth workplace default fund with ESG integration and exclusions in place.

We are focused on ensuring that proper ESG integration will drive AUA, meet regulatory and other stakeholder requirements, deliver better client outcomes and enhance our reputation.

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 whilst considering our stakeholder interests. To ensure we have the appropriate skills and expertise to guide and challenge the business through the next stage of growth, we have continued to strengthen the skill set of the Board throughout the year.

As previously announced in June 2021, with effect from 1 September 2021, Penny James was appointed as our new Senior Independent Director (SID). Penny brings exceptional skills with wide ranging financial services experience, particularly in leading digital innovation and transformation whilst strengthening our Board diversity.

The Board have overseen an orderly transition for the role of CFO. In December 2021, we announced the appointment of Amy Stirling as CFO with effect from 21 February 2022, taking over from Philip Johnson who stepped down from the Board on 31 January 2022. On behalf of the Board, we thank Philip for his work at HL during a strong period of growth. Amy brings over 20 years of strategic financial management, leadership and brand experience across a range of industry sectors both as an executive and non-executive. She is already bringing valuable insights, pace and results to the business.

In June 2022, we announced the appointment of Darren Pope to the Board as a Non-Executive Director with effect from 1 September 2022. Darren will bring strong skills with a broad range of financial services and regulatory experience and adds resiliency to the Audit Committee. More detail of all these appointments can be found on page 61.

Dividend

At our CMD we outlined that we would continue our progressive ordinary dividend policy, growing the ordinary dividend by 3% per annum for this year and next. As such, the Board recommends payment of a final ordinary dividend of 27.44p per share, subject to shareholder approval at the AGM. If approved, such dividend will be paid on 24 October 2022 to all shareholders on the register at the close of business on 23 September 2022.

An interim dividend of 12.26p per share was paid on 1 April 2022. Taking this into account, the total ordinary dividend for the year will be 39.7p per share (2021: 38.5p), an increase of 3% on last year.

Looking forward

As we look ahead, there is much uncertainty driven by external conditions beyond our control that could impact our revenues and earnings. What we can control, however, is robust governance over the execution of our recently announced strategy and the efficient spending of that investment by our highly experienced management team. Whilst currently there are headwinds across our industry, we are committed to our purpose by driving efficiency, resiliency, and sustainable growth for the benefit of all stakeholders and the broader society.

As ever, on behalf of the Board, I would like to thank all our stakeholders including our clients who continue to save and invest with us, our colleagues who work tirelessly to deliver for our clients, and our shareholders for their continued investment and support.

Deanna Oppenheimer
Chair

4 August 2022

EMPOWERING YOU TO SAVE AND INVEST WITH CONFIDENCE

Transforming the saving and investing experience

This year has been a year of contrasting moods. It was welcome to see signs of recovery from the COVID-19 pandemic, but that sense of optimism has been replaced by new challenges including inflationary pressure, international conflict and a worsening cost of living crisis that is now having an impact on so many lives. The result is that investor confidence has fallen significantly.

At times like these it helps that we have a deep sense of history and draw on lessons from our over 40-year track record of supporting our clients through tough economic times. HL has managed through unpredictable market conditions throughout our history, including several previous financial crises, political instability and general elections, referendums and Brexit. Our approach has been consistent: we support our clients by providing relevant insight, information and knowledge that both builds confidence and ensures that investment decisions and execution are as easy as they can be in uncertain times. In 2022 we have had two clear priorities: being there for our clients throughout these turbulent market conditions to help them achieve their financial goals; and accelerating our ambition to transform the saving and investing experience, where we have set out a clear programme of strategic investment to improve how our clients can engage and manage their money whilst driving growth for our shareholders.

Given the economic pressures, it is evident that financial resilience is now a key priority in everyone's lives. Our purpose – to empower people to save and invest with confidence – has never been more essential. Clients' needs, which were already changing fast during the pandemic, have continued to evolve amid the new pressures from inflation, higher interest rates and geopolitical uncertainty. As their lifelong partner and with unparalleled understanding of their financial goals that sit alongside navigating all of the pressures in their lives, it is critical that we now execute our strategy to continue to drive leadership in our sector by building the digital wealth manager of the future. We will transform the experience that clients encounter when they manage their money, combining the best of human expertise from our colleagues and augmenting it with the supercharged use of data and technology to deliver a uniquely personalised service that will make managing wealth, financial health and resilience, easier and more intuitive, with relevant information that drives real outcomes.

This integrated way of servicing our clients, the depth of data we can draw on, the comprehensive and unrivalled range of products and services in one place all underpin how we create value for our clients. We are proud of our track record of high quality service that has enabled us to earn and retain the loyalty and trust of our clients. Their continued confidence in picking us as their financial partner is evident in our rating as the direct-to-consumer platform with the highest brand awareness (Platforum UK Consumer Insights Jan 2022). We beat the high street on a regular basis for accessing market-leading rates on their cash – our Active Savings service has had market leading rates for over 80% of this year. Alongside our cash offer, clients benefit from discounted prices for popular investment funds with an average saving of 20% across our Wealth Short List of funds stemming from us using our scale to deliver value for them. They are able to do all of this using digital tools and services that resulted in HL being rated #1 for investor experience in October 2021 by Platforum. Our investment to evolve our strategy means that our clients will benefit from the creation of more value-added services, as we expand into a broader wealth management market, where incumbents have traditionally been too slow to adapt to ever-changing consumer needs. →

> “Given the economic pressures, it is evident that financial resilience is now the key priority in everyone's lives.

Chris Hill
Chief Executive Officer

EMPOWERING YOU TO SAVE AND INVEST WITH CONFIDENCE CONTINUED

This market has reached an inflection point, with new technologies enabling us to service clients with personalisation through engaging tools, data analytics and timely relevant nudges in ways that were simply not possible before.

By investing to scale and further broaden our proposition at HL, our aim is to capture a growing proportion of the £3 trillion addressable wealth and cash savings market in the UK and drive the next stage of our sustainable growth. The £175 million focused investment programme will deliver a significant shift, allowing us to scale in a more cost effective way, improve the client experience and proposition and drive efficiency through our client service. Myself, all of my colleagues and our Board are united behind the delivery of our strategy and confident in the value it will deliver for both clients and shareholders.

Performance in the year

The difficult backdrop in 2022, driven by a combination of macroeconomic and geopolitical events has hit markets and dented investor confidence throughout the year. As we have seen across the industry, this has led not only to reduced asset values, but also to subdued flows for many direct-to-consumer services and lower activity across wealth management as a whole. Through the year we delivered £5.5 billion of net new business. I am particularly pleased that in spite of this tough backdrop, the quality of our service attracted a further 92,000 net new clients, taking our total client numbers to a record new high of 1.74 million. This compares to FY21 where positive influences like the COVID vaccine and subsequent recovery and the heightened savings environment during lockdowns led to a unique record year. As a result, we have seen an expected reduction in flows and client growth, which has impacted our results for the year, with profit before tax of £269.2 million.

590,000+

nudges to clients to raise awareness of key insights on investment basics such as levels of cash balance, compounding, diversification, risk and importance of regular saving.

92,000

net new clients added in the year taking our total clients to 1.74 million.

61.5%

of digitally active clients use our mobile app.

Encouraging engagement is a key success metric for us and our investment into digital tools and our app continues to pay off with 290 million digital visits in 2022 and an increase in mobile engagement with 61.5% of digitally active clients using the app (2021: 58.3%). This higher engagement was also reflected in our flows where a record 882,000 clients contributed to their ISAs and pensions this tax year and net new business per new client increased to £15,565 (2021: £13,943).

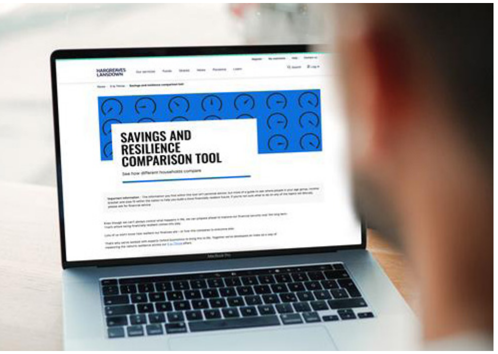
In 2022 we continued our Better Investors programme which is aimed at building and improving our long-term relationship with clients, providing over 590,000 nudges to clients to raise awareness of key insights on investment basics such as levels of cash balance, compounding, levels of diversification and risk and the importance of regular investing. These nudges continue to help us maintain high levels of client retention at 92.1% (2021: 92.1%) whilst nudging up our asset retention rate to 91.8% (2021: 91.4%).

In recent years we have seen clients diversifying their portfolios, increasing their weightings to the US, China and particularly technology stocks and the NASDAQ. Having reached a record AUA of £141.2 billion at 31 December 2021, the second half of our financial year to 30 June 2022 has seen significant market turbulence with the FTSE All Share down 6.3%, the S&P 500 down 20.6% and the NASDAQ down 29.5%. This negative impact has more than offset the net new business flows resulting in AUA at the end of the financial year at £123.8 billion (2021: £135.5bn). Despite this impact we delivered a robust revenue performance of £583.0 million (FY21: £631.0m), underpinned by our diversified revenue streams. Although asset related revenues and share dealing volumes have been impacted, the recent rises in interest rates to 1.25% at the year end have provided a positive tailwind for cash revenue, which will continue into FY23. The rising interest rate environment was also reflected in the enhanced performance of our Active Savings service, where assets hit a record £4.6 billion with over 114,000 client accounts.

Delivering our strategy and executing on our key initiatives will require £175 million of strategic spend between now and FY26. In the first year we have incurred £25.7 million of Investment Cost (including £4.6m of spend which has been capitalised) and £7.2 million of dual technology running costs resulting in £313.0 million of statutory operating cost and delivering a statutory profit before tax of £269.2 million (2021: £366.0m). We are committed to disciplined investment with a focus on cost control across the business. In the period, underlying operating costs were £284.7[1] million, up 7% vs prior year reflecting c3% of wage inflation and the annualisation of growth in people and capability to support and develop the 92,000 new clients added. This has resulted in underlying profit before tax of £297.5[1] million (2021: £366.0m). →

1 Underlying operating costs and underlying profit before tax are new alternative financial performance measures and are defined on page 168.

> In January this year, in partnership with Oxford Economics, we launched the first edition of the Savings and Resilience Barometer, a tool designed to provide a holistic view of the state of the nation's finances.



Our strategy

We announced the evolution of our strategy in February at our Capital Markets Day as we invest to transform, combine and deliver the next phase of wealth management. Over the past year, I have built a highly experienced and capable Executive team that understand what it takes to deliver a digital transformation at scale and the transition that HL must undertake to become the digital wealth management service of the future and change how people manage their money.

The execution of this strategy is underway and being delivered through five key pillars:

- Accelerate Growth via our Integrated Proposition
- Create a step-change in Client Service and Efficiency
- Develop our Digital Backbone
- Enable our People, Strengthening our Culture
- Scale the Foundations

We are focused on delivery and driving success through disciplined investment that drives clear benefits for clients and shareholders and have made a great start against each of these pillars in 2022.

Accelerate Growth via our Integrated Proposition

As client needs continue to evolve, we must continue to update our own proposition hand in hand to unlock the next stage of our growth.

At our Capital Markets Day, we outlined plans to expand our investment solutions, improving the range of investment options we provide to clients at all stages of their investment journey from beginners to highly experienced investors. Through launching a combination of new funds and investment solutions, HL will have the investment choices to address a broad range of client needs.

It is also clear that increasing interest rates and volatile markets highlight the importance of diversified portfolios and accelerate the growth of Active Savings, which allows us to help clients in a more effective and time efficient way.

Finally, as a direct-to-consumer service, we know that we must offer clients the tools they need to manage their own investments, but we also know that, at important stages and at moments that matter, focused guidance and advice can be key to building confidence and delivering the right outcomes. Therefore, we are going to launch a new digital, human and advice service that will complement the significant support and engagement we already offer our clients.

- **Investment solutions** – We launched the HL Growth Fund as the default multi-asset fund for the SIPP in December 2021, integrating into key Workplace journeys from April. We have seen encouraging levels of engagement from clients with £102 million assets under management by the end of the financial year and high levels of opt-in. We have continued to expand our capabilities and have made new hires into the fund management team.

  We expanded our research coverage to Exchange Traded Funds, providing regular updates on client's most popular investment trust holdings, and appointed a dedicated ESG team providing increased education and analysis with 60% more articles, increased engagement and an increase in the number of responsible funds on the Wealth Shortlist. ESG is now a separate and distinct feature of all research that we produce. →

41%

of households are dipping into reserves or debt to tread water. Source: HL's Savings and Resilience Barometer Report for Great Britain, July 2022.

- **Active Savings** – We added two new partner banks, including Santander International, taking the number of partner banks to 15. Across the year we have seen £1.5 billion of net inflows with AUA now at £4.6 billion and 114,000 client accounts. The increases in interest rates through the second half of the year along with strategic marketing spend, however, has seen a step up in net flows with £0.7 billion added in the last quarter. This diversified proposition not only drives client and asset retention, but importantly in a rising rates environment has also been a driver of new client wins.
- **Augmented Advice** – Over the year we have made significant progress with our Augmented Advice offering, scoping, designing and building key features, informed by significant client testing. Our Augmented Advice proposition will establish a brand new experience for clients, incorporating insightful tools like financial wellbeing dashboards and calculators with nudges and coaching to provide an enhanced level of insight that supports them in hitting their financial goals. We have made an experienced hire to lead both this initiative and our face to face advice business.

As we look ahead to 2023, our focus will be on key deliverables across the three streams: we will be launching new funds and developing investment solutions, starting with a US fund launch in Q2 of our financial year (subject to regulatory approval); we will build on the momentum that we have seen in Active Savings with a continued focus on that product; and we will launch a pilot for our augmented advice service at the end of H1.

Create a step change in Client Service & Efficiency

HL has always been known for its high quality client service. Maintaining and evolving this to deliver a future proofed client experience underpinned by scalable and cost-efficient processes is fundamental to our strategy and critical to our future success. In 2022 we continued to evolve our service, driving improvements to the client experience, highlighted by our Trust Pilot score which is now rated 'excellent'. We continue to strive for further progress and have focused on:

- **Enhancing the quality of engagement** – By ensuring our service becomes ever more personalised, we believe we will continue to improve client engagement. In July we started the roll-out of a Cloud Contact Centre platform through our partner Amazon Connect. This offers a simple to use platform for our client service teams to improve the way they serve our clients and reduce time taken to answer queries. Connect allows us to simplify our operating model, evolving client servicing so we can use our talented colleagues to focus on delivering an experience that adds value to the client, one that is actioned by data insight and through automating experiences that our clients expect to be self-serve. It is the first step in delivering a more personalised client experience in a more efficient way and will ensure improved levels of Client Satisfaction and NPS and also reduced cost to service. The platform will continue to be enhanced through 2023, delivering cost savings and service improvements by the second half of the year.

35.9%

of households have more than 6 months' worth of essential expenditure, of which half have gone on to invest to make more of their money.
Source HL's Savings and Resilience Barometer Report for Great Britain, July 2022.

- **Building simplicity & resilience** – We want to offer a simpler and more consistent service underpinned by technology solutions that make it easy for us and clients. In 2022 we partnered with Ecospend to provide 'Pay by Bank' services, utilising the latest technology in Open Banking to create a more efficient and effective payment journey option for our clients. This will create greater resilience in our service and deliver significant cost saving over 2023 as we roll it out across our client journeys and applications.

  We have also undertaken a project to digitise our inbound mail processes. Using third-party providers we have completed the first two phases of this work, focusing on new business applications and workflow. This work will lead to a reduction in cost to serve, allowing us to service more clients without extra costs, and strengthening our ability to scale whilst maintaining resilience. It will also act as a key strategic enabler for workflow automation and the delivery of our wider service strategy.
- **Driving innovation** – HL has a long history of innovating: we lead the market in delivering new solutions to enhance the saving and investing experience for clients and 2022 has continued this trend. In May we launched REX, a new Retail Offer Service with Peel Hunt, enabling retail investors to access IPOs and secondary fundraising, a key area where retail investors previously lacked the tools to engage. The first corporate action was for an infrastructure investment trust and 25% of the shareholders participated. This continues to broaden the service we offer our clients, providing greater functionality and increasing client satisfaction.

Our key focus for 2023 in service and efficiency will be on delivering across each of these areas to enhance the quality of our client engagement and deliver on cost savings outlined at our Capital Markets Day. →

Develop our Digital Backbone

We have set out the ambition to be the leading digital wealth management service and transform how people manage their money. By investing in more digital capabilities – from data analytics, using cloud for scale and innovation, and better managing end-to-end client journeys – we will be able to continue to take advantage of our growth and the scale of our platform reducing cost to serve and creating operating leverage, using the infinite scalability of the cloud.

Enhancing our digital capability underpins all of our success and drives the execution of all of our strategic pillars. In 2022 we have delivered on some key foundational outcomes that underpin our digital backbone:

- **Cloud & Platform** – We need to leverage a cloud-based flexible infrastructure to build systems that auto-scale and increase our ability to innovate enabling us to partner with companies that are pioneering the latest technology. In 2022 we have set out foundations for our cloud migration, signing contracts with industry leaders ForgeRock and Kong to support our development of enhanced identity and authentication solutions and building our ability to scale. We have also begun to apply cloud-based solutions through partnerships including Amazon Web Services, who are supporting the delivery of our new cloud and data platforms, building increased personalisation and efficiency into our service.

> "HL has a long history of innovating; we lead the market – driving new solutions to enhance the client experience.

- **Data** – We have an unparalleled insight into client behaviour and needs built up over 40 years of lifelong relationships. We must be able to use this data to provide the highest quality of client service and personalise the experience for both clients and colleagues. We are focused on data enrichment to build the foundations that enable a smoother transition to the cloud and to power augmented solutions. This year we have partnered with Precisely, to prepare our data for the future and enable us to manage and govern across its life cycle, identifying and cataloguing data assets as well as improving data quality through rules and workflows that then power AI driven guidance.
- **Digital Foundations** –These enable us to deliver an end-to-end digital client experience at pace, and key to this is ensuring that HL's transformation is client-product and client-journey led. In 2022 we have realigned our digital teams in a single organisation under our Chief Digital and Information Officer and created a stream-lined product led organisation under our Chief Technology Officer. One key element of the product led approach is to ensure consistency between online and mobile journeys – in 2022 we have focused on this, including adding previously non-mobile functionality such as fund switching so it is available across all devices and improving our mobile app to increase accessibility. We have also utilised product led teams to deliver improvements across other strategic pillars, including the digitisation of our mail room and the launch of the Retail Exchange service. The launch of a new design system has increased the pace of our developers through an ability to create consistent user experience. Across each of these initiatives we are seeing delivery at pace and achieving outcomes that significantly enhance the client and colleague experience.

Our Digital Transformation is focused on delivery and our execution plan is broken into clearly identified and achievable projects, where we can deliver at pace and see tangible cumulative benefit. Our focus in 2023 will be on utilising the ForgeRock and Kong partnerships to centralise digital identity to create a market leading experience; and we will increase our ability to execute multivariant releases. These are key elements that complement and support a data driven, product led way of working. Alongside this we will also continue our cloud journey, delivering significant internal and external tools through our partnership with AWS.

Enable our People, Strengthening our Culture

The delivery of a strategy is only possible with the right people, capabilities and culture underpinning it. HL's success is due to our brilliant colleagues and their continued efforts to go the extra mile, innovate and deliver for clients. The execution of our strategy will be reliant on introducing key new capabilities in some areas and so we are focused on building the right environment to develop and enhance colleague performance, retain and attract the right talent and make HL a great place to work. In 2022 we have adapted to the post-pandemic environment by building a hybrid working pattern that is colleague led and enabling our offices for new working patterns. We have also been focused on supporting colleagues through the challenging conditions impacting all of us and in May provided a 'breathing space' payment for colleagues to aid with their cost of living needs. We continue to look at solutions to provide colleagues with support during this time.

Looking ahead to 2023 we continue to onboard the new capability to support our strategy whilst also focusing on developing and enabling colleagues to adopt agile and product led ways of working, supporting HL's ability to deliver client outcomes and change at pace. →

Scale the Foundations

A critical element of any successful business is the enabling functions that support the delivery and execution of the strategy. To drive sustainable returns over the long-term we must ensure we strengthen our foundations to ensure both resilient client journeys and support growth and new ways of working. In 2022 we have done this through welcoming new capability across key teams including a significant increase in Risk and Compliance. We have also delivered key resilience and scalability improvements to key systems including our Drawdown payments and commercial banking systems. In 2023 we will continue to prioritise this enhancement of foundations in parallel to our work to build new functionality, ensuring that we have the systems and people to deliver our strategy. We must also meet regulatory expectations including delivering in line with the new Consumer Duty to help ensure the right outcomes for clients.

It is clear that HL is in execution mode. In 2022 we have set the foundations for the successful delivery of our strategy. We are confident that we have the right strategy and the right team to deliver and now we are seeing the results. I look forward to sharing more of these as we transform our business over the coming years.

> "HL's success is due to our brilliant colleagues and their continued efforts to go the extra mile.

FY23 Guidance and medium-term outlook

We are currently seeing, and for the period ahead expect to see continued, economic and geopolitical turbulence. This will continue to impact key drivers of our business including asset levels and investor confidence. We have supported clients through such events and period for many years and each time we have come through stronger. This time will be no different.

The strategy we outlined in February 2022 will deliver outstanding client service, strong growth and returns and continued market leadership for HL. We are therefore confident that execution of this strategy by the highly experienced team we have assembled will deliver the metrics and targets we set out at our investor day.

Our visibility on whether the timing of delivery of our targets has been impacted will be influenced by when we have greater visibility on normalisation in markets and related investor confidence as we outlined at the time of the CMD. We will keep you updated as we execute.

In the meantime, to position ourselves to benefit as markets do normalise, we are focusing on factors we can control including the execution of the strategy. In this context we have set out expectations for FY23 as follows:

- Revenue margin of between 44 and 47 basis points primarily reflecting the higher revenue margin on cash resulting from higher interest rates.
- Underlying cost growth of between 9.5% and 11.5%. This is on the back of lower than guided cost growth in 2022 and will, in absolute terms, still be lower than costs guided to at the time of the Capital Markets Day. It also reflects c£15 million of cost savings.
- £65-75 million of strategic spend with no change to our overall strategic spend to the end of 2026 of £175 million and £20 million of dual tech running costs as previously guided to at the Capital Markets Day. This investment will be funded through £55 million of annual recurring cost savings delivered over the period.
- 3% Ordinary dividend growth.

Finally, I would like to thank my colleagues once again for their hard work and energy through yet another difficult period where they have ensured that we have provided a market leading service to an ever-growing number of clients. I also want to thank our clients for their continued engagement and enthusiasm as we develop our proposition and service through such difficult times. Our goal is to continue to enhance their financial resilience and transform how they manage their money.

Chris Hill
Chief Executive Officer

4 August 2022

DELIVERING OUR STRATEGIC PRIORITIES

Our client focused strategy and culture enables us to build long-term relationships and address the structural growth opportunities that exist.

We are investing across the 5 pillars of our strategy to deliver the next generation of wealth management, driving sustainable returns and a high quality client experience.

We are committed to ensuring our investment drives significant returns. Therefore to monitor delivery across each of our strategic building blocks we have allocated relevant key performance indicators. We have established regular monitoring of these metrics across committees and our plc Board to ensure progress is made effectively.

1 Create a step change in Client Service & Efficiency

We are using digital technology and data to deliver tailored, seamless client journeys to improve client experience and enhance client outcomes, whilst delivering scalability and cost-efficiency.

2 Accelerate Growth via our Integrated Proposition

We are strengthening our core proposition by investing in our Investment Solutions, accelerating our Active Savings service and launching our new Augmented Advice and Guidance capabilities. These will all help to drive client acquisition, increase ongoing engagement and improve retention rates.

3 Develop our Digital Backbone

By investing in our digital capabilities – from data analytics, to transferring data to the cloud, and better managing basic end-to-end client journeys – we will be able to continue to take advantage of growth and scale our platform in a more cost-efficient way, reducing our cost to serve and creating operating leverage.

4 Enable our People, Strengthening our Culture

We are simplifying the organisation to drive faster decision making and clear accountability. Focusing on enhancing our colleague value proposition and strengthening our ways of working and culture.

5 Scale the Foundations

Strengthening operational resilience and risk management to ensure resilient client journeys whilst further developing our enabling functions to support growth and new ways of working.

1 Create a step change in Client Service & Efficiency

We have always been recognised for our high-quality client service and experience – helping and supporting clients to save and invest with confidence.

We have a clear strategy for how we will continue to evolve our service moving forward, using digital technology and data to deliver tailored, seamless client journeys to improve client experience and enhance client outcomes, whilst delivering scalability and cost-efficiency. We want to make it easy for clients to manage their investments and to provide a service that enables them to do it better and deliver their financial goals.

Progress in 2022

In 2022 we have continued to drive improvements across our service and in line with this clear strategy:

- We have partnered with Amazon Web Services to roll out a Cloud Contact Centre, making it easier for clients to use our service and colleagues to provide a personalised experience.
- We have significantly improved our transfer performance and associated client experience – driving average pension transfer times from 43.3 days in 2021 to 21.2 days in 2022 and driving improvement in the experience and efficiency across all products.
- We have reached a record TrustPilot score, hitting an 'Excellent' rating score at 4.3, a significant increase over the year (2021: 3.7).
- We have partnered with EcoSpend to provide 'Pay by Bank' services, leveraging the latest open banking technology to offer a direct and efficient way to pay directly on to your HL account from your bank.

Focus for 2023

- Launch our new Cloud Contact Centre, improving the client experience and the value that our knowledgeable colleagues can add to every interaction.
- Launch open banking payments across key journeys and applications.
- Deliver cost savings and increased efficiency as outlined at our Capital Markets Day.

KPI: Client Satisfaction

Based on the average results of client feedback in the quarterly client satisfaction surveys in 2022.

Why

This provides a measure of our clients overall satisfaction with our service performance. A high score will have a positive effect, reinforcing the long-term relationships we build with our clients.

Progress for the year

- Over the year we have delivered significant improvement across service measures including improved transfer times and reduced complaints.
- Over the year our Helpdesk have taken 1.269 million calls (2021: 1.341 million) and 416,000 emails (2021: 489,000).
- We won the award for Boring Money Best Customer Service 2022 and were rated Gold for our Customer Service by The Times Money Mentor.

Result

80.7 (2021: 79.3)

Principal Risk

Strategic and operational

2 Accelerate Growth via our Integrated Proposition

We have a broad and extensive proposition of investment and savings products to support our clients throughout their financial lives.

Through our focused investment we will strengthen our core proposition by expanding our Investment Solutions, accelerating our Active Savings service and launching our new Augmented Advice & Guidance capabilities. These will help drive client acquisition, increase ongoing engagement, improve retention rates and deliver greater net new business.

Progress in 2022

- HL Funds – In January we launched the first of the new HL funds we plan to deliver. This HL Growth Fund acts as the default fund for clients of our Workplace Solutions SIPP and by June had grown to £102 million. The new HL Fund capabilities and suite of solutions will provide a wide range of cost competitive choices, tailored for investor experience and investment objectives.
- Advice – At our Capital Markets Day we announced our plans to launch a new omni-channel advice proposition that combines the best of human interaction and our 40 years of insight into clients' needs, augmented by better data analytics and digital capabilities to provide a game-changing proposition. We have designed and built the key features of this product, with technical delivery on track for pilot launch at the end of calendar year 2022.
- Our Active Savings service is a critical part of our diversified proposition. As interest rates have risen in 2022 we have seen this proposition continue to grow – hitting £4.6 billion assets and 114,000 client accounts. Over the year we have had at least one market leading rate on platform for 86% of the time and welcomed new banks such as Santander International and Allica.

Focus for 2023

- Launch the pilot for our augmented advice service at the end of H1, providing clients with the next level of support with their investment journey.
- Continue to build momentum in Active Savings given the favourable interest rate environment.
- Launch next tranche of HL Funds, starting with the US fund – due in the second quarter of our financial year (subject to regulatory approval).

KPI: Net New Business

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.

Progress for the year

- Challenging external conditions have impacted investor confidence and led to subdued net new business performance in 2022.
- Despite this our strong proposition continues to be recognised with HL winning Best ISA, Best Buy LISA and Best Buy Pension at the 2022 Boring Money Awards.
- We continue to see many clients establish regular savings into their HL accounts with 292,000 unique regular savers in FY22 (2021: 283,000).

Result

£5.5BN (2021: £8.7bn)

Principal Risk

Strategic and operational

KPI: Total Clients

Represents the total number of active clients that are using our service by the end of the year (unique number of clients holding at least one account with a value over £100 at the year end).

Why

As we attract, engage and retain a higher volume of clients we build increased potential for growing future AUA.

Progress for the year

- Challenging conditions impacted new client acquisition but we still attracted 92,000 net new clients over the period.
- Significant marketing and advertising in the second half of the year including our third brand awareness campaign building on the success of previous years and underpinning our position as the most recognised D2C brand.
- New clients added across our range of accounts and across all demographic segments.

Result

1.74M (2021: 1.65m)

Principal Risk

Strategic and operational

3 Develop our Digital Backbone

As a leading digital wealth management service our technology and the client experience we deliver is critical. We are committed to improving our digital capability to optimise our service, enhance our proposition and improve our efficiency.

By investing in more digital capabilities – from data analytics, to transferring data to the cloud, and better managing end-to-end client journeys – we will be able to continue to take advantage of our growth and further scale our platform, reducing cost to serve and creating operating leverage.

Progress in 2022

- We have set out foundations for our cloud migration, signing contracts with industry leaders ForgeRock and Kong to support our development of enhanced identity and authentication solutions and our ability to scale.
- We are focused on data enrichment to build the foundations to enable a smoother transition to the cloud and to power augmented solutions. We have partnered with Precisely in 2022 to deliver a data governance tool which will support us in achieving this.
- Launched a new Flare design system which will support us in quicker product development through offering a design tool which enables consistent user experiences.
- We added features to our Mobile App including offering functionality that was previously only available via our website, like fund switching. We have also increased accessibility to the app, both by improving our log-in process for those that require two factor authentication and improving integration with 3rd party support tools like screen readers.

Focus for 2023

- Digital identity to move to the ForgeRock cloud, enabling the modernisation of on-boarding and critical data management around identity. This will allow us to personalise for our clients, offer them new products and help power augmented advice.
- The ability to provide multivariant releases to offer products much faster and based on user behaviour in a safe and secure way.
- Our partnership with Amazon Web Services will see major releases of internal and external tools, providing us with greater resilience and scalability and allowing all of our teams to move faster to solve client and colleague needs.

KPI: Strategic Delivery

Represents the progress we have made with our strategic goals.

Why

Delivery of our strategy is critical to ensure we continue to deliver sustainable growth into the future.

Progress for the year

- We successfully delivered our 2022 Capital Markets Day outlining our plans and focused investment to the market, gaining supportive feedback from major investors.
- Execution underway with transformation office and processes established, plans for change to product led organisation outlined and target operating model in development.
- Executive team in place and aligned behind this plan.

Principal Risk

Strategic and operational

KPI: Client Retention

Based on the monthly retained number of clients, as a percentage of the opening months' clients and averaging for the year. A lost client is deemed as one who falls below a holding of £100.

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.

Progress for the year

- This year we have maintained our retention rate as clients continue to see HL as their lifelong partner and consolidate their assets with our service.
- We have also enhanced our support and guidance, launching the new HL Podcast and continuing our Better Investors campaign where we have used data to identify clients who may need more help with investment basics like diversification and risk management.
- HL won the award for UK D2C Best Investor Experience from Platforum, with our strong experience continuing to encourage clients to use our digital channels.

Result

92.1% (2021: 92.1%)

Principal Risk

Operational and financial

4 Enable our People Strengthening our Culture

Our people are our biggest asset and are fundamental to delivering our vision, our strategy and the sustainable growth of our business.

As part of our strategy we have clearly defined how we need to evolve to better enable our people and strengthen our culture. We will simplify the organisation to drive faster decision making and clear accountability, focusing on enhancing our colleague value proposition and strengthening our ways of working and culture.

Progress in 2022

- We have undertaken the transition of colleagues from pandemic ways of working, taking the best of the flexible working practices welcomed during COVID-19 and optimising our offices to welcome colleagues back to regular in-person working.
- We have increased resources that support the HL Way. The HL Way makes clear what we represent, acting as both an internal commitment to a standard of behaviour, but also a public declaration of our values, principles and beliefs.
- We have focused on supporting colleagues through the challenging external conditions faced in 2022 with a 'breathing space' payment paid to help colleagues manage the increasing cost of living.
- Delivered key hires to increase our capability across key areas of our strategy including Advice, Investment and Risk Management.

Focus for 2023

- To improve delivery and efficiency across the business we will adopt product led ways of working and update our target operating model to reflect this.
- We will encourage a colleague led continuous personal improvement approach to development.
- We will continue to find and on-board new capability in key areas to support the delivery of our strategy.

KPI: Colleague Engagement

Our annual colleague survey provides visibility on colleague views and sentiment on our business. Colleague engagement is a key score based on four core metrics assessing colleague pride, advocacy, motivation to go the extra mile and intent to remain at HL.

Why

We believe it is important to listen to and understand our colleagues' views and motivation; their honest feedback is crucial in evolving our colleague engagement programme and colleague value proposition.

Progress for the year

- Our colleague survey saw a strong response rate at 73% (2021: 70%).
- Over the year we used colleague feedback and engagement insight to inform decision making around a number of projects.
- Examples include our return to office and future of work where colleague insight helped us enable our flexible working practices. As well as our strategy communications, where we have used feedback to understand what colleagues want to learn more about.

Result

64% (2021: 66%)

Principal Risk

Strategic, operational

5 Scale the Foundations

A critical element of any successful business is the enabling functions that support the delivery and execution of the strategy.

To drive sustainable returns over the long-term we must ensure we strengthen operational resilience and risk management to ensure resilient client journeys whilst further developing our enabling functions to support growth and new ways of working.

Progress in 2022
Over 2022 we have been focused on strengthening our capability across our enabling functions to ensure we are best placed to deliver our strategy, this included:

- Enhancing our Risk and Compliance teams to ensure we have the right structure and team to provide strong and scalable 2nd line expertise and insight.
- Driving operational resilience improvements across business critical systems in line with regulatory time frame.
- Implementing the Business Priorities Committee to ensure effective prioritisation of risk focused initiatives and the strengthening of our control environment.

Focus for 2023
- We will execute key regulatory change including Consumer Duty.
- We will continue to update key systems to enhance our operational resilience and scalability.
- We will further develop our enabling functions to support growth and new ways of working.

KPI: Statutory Profit Before Tax

Profit generated by the business over the period. In light of our strategic spend announced in 2022 we are now reporting Profit Before Tax in two ways; underlying – measuring the underlying performance of the business excluding strategic spend, statutory – measuring the overall business performance including strategic spending. Underlying PBT is defined in the Glossary of Alternative Financial Performance Measures on page 168.

Why
A scalable platform with strong operational resilience, risk management and enabling functions helps to gather and retain assets and clients which drives revenues and profits.

Progress for the year
- PBT on an underlying basis reduced 19% to £297.5 million in the period, driven by reduced revenue given the supranormal pandemic driven activity and flows in 2021 and the challenging conditions faced in 2022.
- PBT on a statutory basis reduced 26% to £269.2 million. As outlined at our Capital Markets Day we intend to invest £175 million by 2026. This expenditure will generate significant growth over the medium term but has impacted PBT in 2022.

Result
£269.2M (2021: £366.0m)

Principal Risk
Strategic, operational and financial

AN ATTRACTIVE MARKET AT AN INFLECTION POINT

Wealth management is experiencing structural growth and has reached an inflection point. Our market leading proposition and service means we are well placed to disrupt.

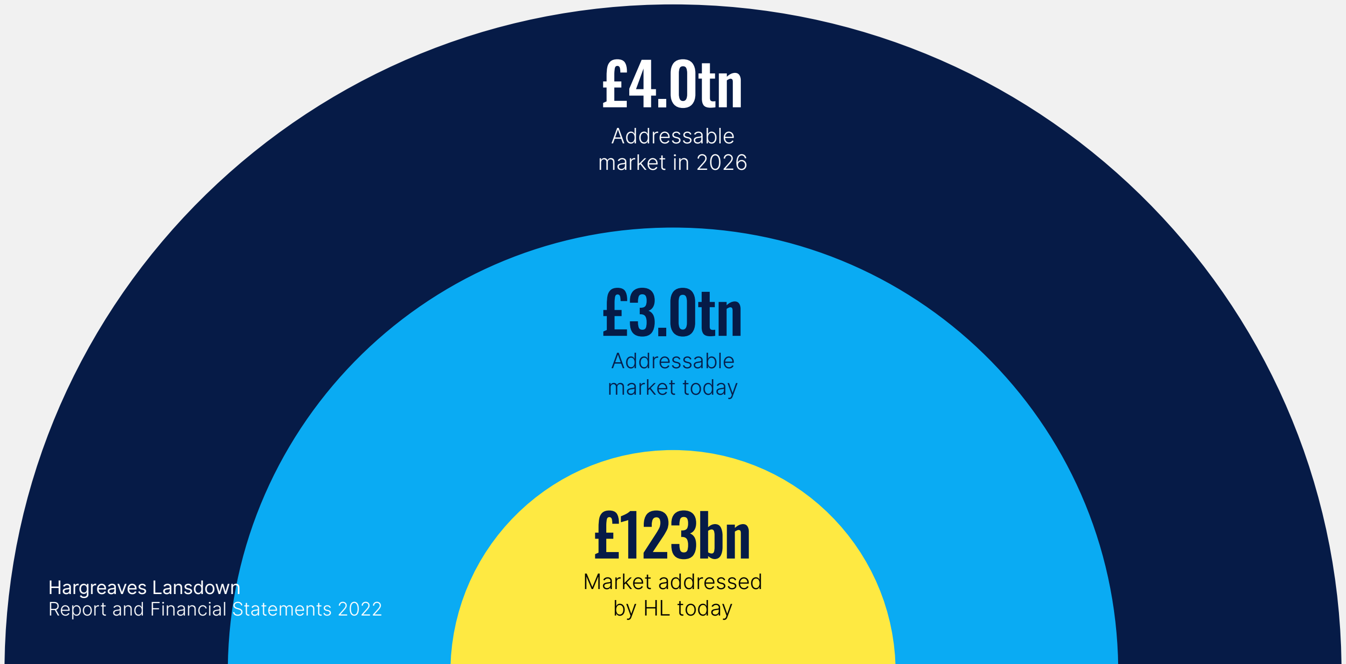
An attractive market

The UK savings and investment market has seen significant growth in recent years and our addressable market is estimated at £3 trillion. Within this we operate as the leading direct-to-consumer (D2C) UK platform with a 41.7% share of a market worth £289 billion. Despite current challenges, the structural factors at play along with an acceleration of existing trends resulting from COVID-19, look set to provide growth for many years to come and as the UK's leading digital wealth manager we have a great opportunity to win in this growing market.

Our addressable market today is made up of an estimated £1.4 trillion of private wealth plus £1.6 trillion of cash savings giving an implied market share for Hargreaves Lansdown of c4.1%. Outside the 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 deep source of potential transfers to Hargreaves Lansdown as clients look to consolidate their investments onto our platform.

This £1.4 trillion is concentrated across around 7 million people with £100,000 or more of investments (source: ONS). However, more and more people are beginning to invest thanks to the various structural drivers, with COVID-19 accelerating this trend. In addition, 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.

The size of the market opportunity has never been this significant. The impact of the structural and secular shifts will drive the market from the £3 trillion seen today to £4 trillion by 2026. As the market leading digital wealth management service HL is well placed to drive significant growth from this evolution. →



> Structural growth drivers and secular shifts will significantly grow our addressable market in the coming years.

Secular shifts

People need help understand their finances, manage them in the right ways for them and to do so simply and increasingly through digital means.

People are living longer

There is an estimated £314 billion gap between retirement expectations and the cost of funding such expectations – 'The Savings Gap'. The level of funding necessary to provide retirement income is increasing, driven by longer life expectancies, less generous company pensions and ambitious retirement expectations.

Ongoing low asset yields

Since the financial crisis the interest rate environment in the UK has been low, driving down yields on cash based products and increasing the demand for investing as individuals look for an opportunity to capture increased returns.

Political & market uncertainty

Political and market uncertainty reinforces the importance of saving and investing and the need for individuals and families to be financially resilient. This drives engagement as individuals realise the importance of being financially prepared for the future.

Complex savings environment

Successive UK governments implementing further changes to pension savings, the introduction of various ISA products, the growing awareness of responsible investing, historically low but rising interest rates and significant cost inflation have made finding the right solution for individuals' investment needs ever more complex.

Individual responsibility

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 Wealth Management Market has hit an Inflection point

Incumbent Players

We believe the existing incumbents in the wealth management market are not always meeting clients' evolved needs. Expensive adviser fees and confusing, time consuming and jargon heavy investment providers and services are not meeting clients' changed expectations. Our digital insight is unmatched in the direct-to-consumer space – we understand what clients want from their wealth management service and the tools they need.

Clients

Client expectations of how they manage and interact with their savings and investments are changing and have been accelerated by COVID-19. They no longer compare just to other wealth managers or financial services companies, but to the client experience offered by the likes of Amazon. Hargreaves Lansdown has been using its insight and innovating to meet client needs for many years and will invest in these digital, personalised and on-demand technologies to retain its leadership in client service and experience.

Regulation

The regulator has a clear focus on client outcomes and the value of long-term investing: its recent consumer strategy recognises the need for people to participate in markets with a specific target of a '20% reduction in the number of consumers with higher risk tolerance holding over £10k in cash by 2025'. This is equivalent to 1.7 million people. A focus on outcomes and long term investing have long been key principles for Hargreaves Lansdown with our clear purpose to empower clients to save and invest with confidence.

Technology

Technological capability has moved forward – from cloud computing to the power of Artificial Intelligence and the increase in hybrid tools – what the wealth management industry needs to move forward is available and ready to be harnessed to drive the next level in client experience.

Inflection Point

It is through our market leading position and deep understanding of clients and their needs, that we recognise the wealth management market has hit an inflection point. It is clear that there is a strong opportunity to disrupt the existing, fast growing market and drive the next generation of wealth management, and that HL is well placed to execute on this.

Over our 40 years of experience we have built innovative investment tools, pioneering new products and services like Active Savings and the Stocks & Shares Lifetime ISA and introduced high quality digital experiences through our award winning mobile app. This ongoing innovation and development has driven breadth of offering and an evolving range of products for our clients. This strong track record underpins our confidence in our ability to capture the market opportunity.

Our Proposition

Our proposition and service is designed to help clients of all ages from seasoned investors to those starting out.

ISAs

We have developed a suite of ISA products to support clients through a variety of savings goals. The current ISA allowance of £20,000 provides great scope for tax efficient investing. The Stocks & Shares ISA is increasingly becoming a long-term investment plan for many and hence provides a significant opportunity for new business flows.

The Lifetime ISA (LISA), launched in April 2017, is open to those aged 18 to 40 and can be used towards a deposit on a first home or towards saving for retirement. As at 30 June 2022, we have over 108,000 accounts with £1 billion of invested assets, which probably makes us the largest provider of LISAs. This is also the case with the Junior ISA (JISA), which since →

Lifetime ISA accounts
108,000+
with £1.0bn+ AUA

Junior ISA accounts
160,000+
with £1.4bn+ AUA

SIPP drawdown accounts
59,000+
with £9.4bn+ AUA

introduction in June 2011, has proved popular with Hargreaves Lansdown clients. Many of our LISA and JISA clients are new to Hargreaves Lansdown highlighting how it serves as a way of attracting a younger demographic to 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.

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 590 employers, can really make a difference by improving employee engagement with saving through a range of high quality services.

Better investor engagement with retirement savings and the decisions people 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. Through our varied retirement proposition featuring Self Invested Personal Pensions (SIPP), Drawdown and Annuities, as well as a number of retirement planning tools, we offer many options for clients to manage their own retirement savings and the education and support to build their confidence in doing so.

Cash Savings

Alongside our investment products, in the growing interest rate environment we also offer market leading cash savings rates through our cash savings service. 'Active Savings', our digital deposit service provides a simple digital solution for managing cash savings across multiple providers. Since its launch we have continued to refine the proposition now offering Fixed term, Easy Access and Cash ISA products. As at 30 June 2022, we had over 114,000 client accounts with over £4.6 billion AUA, and are seeing clients joining HL for the first time through this service. Clients holding risk based investments often 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.

Our Investment

At our 2022 Capital Markets Day we outlined our strategic priorities, and the £175 million investment programme required to deliver against the strategy. This investment will drive significant change within the business, helping us to better utilise our unmatched client insight and data to deliver the client experience of the future.

- We will expand our investment offering, launching new funds through HL Fund Management. These will be across different sectors, incorporate ESG considerations and have low cost options. The development of these funds will drive significant increases in the proportion of our clients' assets that are held in HL Funds over time and support enhanced net new business as new clients bring money onto our platform.
- We will accelerate our Active Savings service. We will grow the assets held with strong new bank partnerships, better functionality, increased marketing to existing HL clients and the general public and a clearer transition to our Savings service, so we have the best and most complete offer available.
- We will launch a new omni-channel advice proposition that will aim to bridge the gap from D2C to Advice and offer an integrated service with a platform that helps our clients manage key life events and adapts to their current needs. This expansion will lead to a higher share of wallet as clients consolidate their savings and investments with us and increase retention as more choose to build lifelong relationships because we can help at all the key financial moments that matter.

Each of these propositions will be a key focus for our investment over the next few years and offer clear reasoning for how we will capture the market opportunity.

The investment programme will also deliver improved operational efficiency, which will deliver sustainable annualised cost savings of c£55 million by FY26. This not only helps fund our investment spend but will also provide us with a more scalable and efficient technology platform and business, where we can continue to innovate and develop at a faster rate.

Our Competition

We operate in an increasingly competitive landscape and new competitors continue to enter the digital wealth 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. Once scale is achieved, sustainable profits rely on continued investment. The updated strategy we outlined in 2022 highlights where we see the opportunity for HL to continue our growth trajectory and the investment we will make to deliver this – offering the next generation of wealth management for our clients.

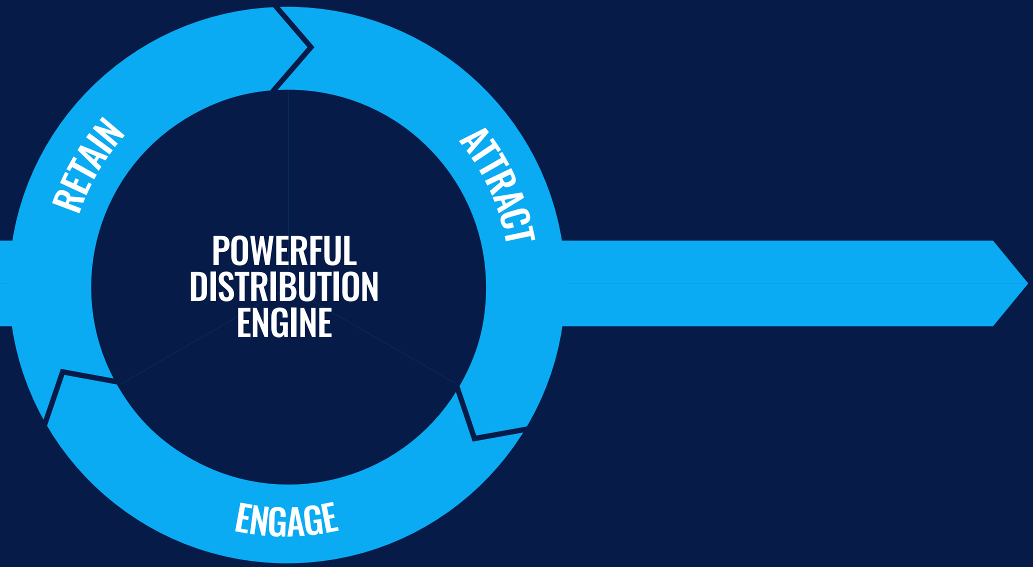
Hargreaves Lansdown never stands still. We have always led the way in the direct-to-consumer investment market and continue to look to improve the experience for our clients, ensuring value for money is delivered.

OUR RESILIENT GROWTH CYCLE

Our client focused culture enables us to build long-term relationships and generate a deep understanding of their needs.

This informs our decision making, underpinning our strategy to **transform** the savings and investment experience, **combine** the best of human expertise augmented by digital capability and **deliver** a uniquely personalised service to simply manage your financial health and wealth.

Through our strategic investment we fuel our business, creating a powerful distribution engine that drives long-term sustainable growth.



We attract clients with our high quality service and offering, we engage them with our expert-led content and easy to use functionality and we retain them for the long-term by supporting them in driving towards their financial goals.

Attract

Our market leading proposition and service enables us to attract and build lifelong relationships with clients. We provide the broadest offering of savings and investment solutions in the retail market.

With over 40 years of experience, we have built a trusted brand with our clients, ranking #1 for brand awareness in direct to consumer investment firms. We continuously evolve our approach to client acquisition, investing in our marketing, service and proposition to ensure we maintain and improve our high quality offering and empower clients to save and invest with confidence.

Engage

Client experience is our obsession. Through our high quality client experience underpinned by our expertise and technology we engage clients as they build wealth, becoming their trusted partner and reinforcing our relationship with them.

Our strategy is focused on enhancing our technology, service and insights to ensure we have a continuously improving and increasingly personalised client experience.

The happier and more 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.

Retain

Retention is key to our ongoing revenue generation, as clients consolidate their wealth with our service and build their assets through time.

Our broad proposition enables us to provide a service that can support clients throughout their lifetime and changing goals. Our deep understanding of client needs combined with our expertise on the wealth management market enables us 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.

FIND OUT MORE

Pg 12: Our strategy and KPIs
Measuring our strategic progress.

Pg 45 Our financial performance
The results we've achieved this year.

Pg 31: Responsible business

DRIVING STRONG GROWTH

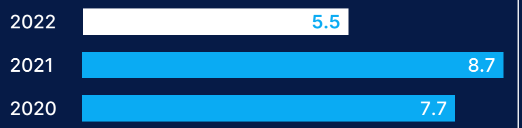
The evolution of our strategy will underpin and accelerate this value generating cycle of attracting, engaging and retaining over the long-term.

Total AUA

£ billion

Net new business

£ billion



Total clients

'000

Clients with monthly savings

'000

SUSTAINABLE RETURNS

Revenue

We generate revenues based on the value of assets administered on our platform, activity levels of our clients and a net interest margin on uninvested cash and advice given to clients. Of these revenues, 71% are ongoing 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 reinvestment back into people, technology and marketing, ensuring that we are always improving and evolving our service and maintaining our competitive advantage.

Profits and dividends

Our diversified revenue streams and scalability deliver profits which quickly convert into cash. After ensuring we maintain a surplus of capital over and above our regulatory requirement, we can then pay dividends to our shareholders. Through placing clients at the heart of all we do, we have already achieved significant scale and the focused investment we have planned and adherence to our core values will enable further growth. This will deliver long-term value creation across a range of stakeholders including:

VALUE CREATION

Clients

We listen to clients and have built a strategy based on our deep understanding of their needs. 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. People and Culture is one of the five key pillars of our strategy and rewarding careers are delivered through investment in professional and personal development and a focus on well-being 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.

STAKEHOLDERS ARE AT THE HEART OF OUR STRATEGY

The evolution of our strategy has been directly informed by our stakeholders. Engaging with them helps us to understand their evolving needs and is critical for our decision making and ongoing success.

We have invested in the development of our stakeholder communities and continue to focus on enhancing our relationships with them as we believe it is the right thing to do.

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 on page 118

FIND OUT MORE

Pg 12: Strategy and KPIs

Clients

Our strategy is built around our clients and understanding their evolving needs is critical to our long-term success.

How did we engage with them?

- Targeted group surveys and website surveys
- Monitoring of client behaviours across our digital platforms
- User testing as we evolve our proposition and service
- Regular updates and insight from our investment and saving experts
- Feedback received from the 1.269 million client calls received by our Helpdesk

What were the key topics raised?

Clients told us that they wanted:

- Practical help on how to achieve their financial goals, and invest in line with 'responsible' or ESG values
- Help to navigate challenging times: inflation, cost of living crisis etc.
- Great value and support across all stages of their savings and investments life
- Frameworks and guidance to help make the best financial decisions and ultimately achieve good outcomes

How did we respond

- **We built our strategy around our understanding of clients – aiming to enhance our high quality service in line with their needs**
- **We launched a responsible investment hub on our website and announced plans to ensure our new fund launches reflect ESG considerations**
- **We enhanced our transfer service, improving the speed and ease of use for clients**
- **We launched more services on our mobile app including the ability to fund switch and easier log-in options for those needing two factor authentication**
- **We continued our better investors campaign, using data to help provide education and insight to clients who need help with investment basics like diversification and risk**

Employees

HL would not be the business it is without our dedicated and talented employees, always striving to deliver a high quality service and act in line with our values.

- Colleague Forums, biannual colleague engagement surveys, regular pulse surveys, and other ad hoc focus groups
- Online communications portal to share key activity and updates
- Regular internal communications and briefing sessions from senior leaders and executives
- Peer recognition scheme to identify colleagues who demonstrated outstanding behaviours and conduct aligned to our values and the HL Way

- Our strategy and how the evolution will drive development for colleagues and the next stage of growth for the business
- What the future of work looks like for HL, building on the positive lessons learnt from the COVID-19 pandemic
- The importance of inclusion, diversity and continued development to succeed for the future
- The cost-of-living crisis and how this impacts individuals

- **Enhanced the office environment to support new flexible working practices**
- **Launched a 'Future of Work' task force looking at the best future ways of working that support our culture and delivery but also enhance the colleague value proposition**
- **Involved all leaders and teams in the cascade of our strategy, focusing on developing our people and enabling our culture**
- **Continued to execute our I&D strategy, improving diverse representation in leadership and launching the Strive internship programme**
- **Provided a one-off payment for colleagues most impacted by the cost of living crisis, designed to give colleagues some breathing space as they faced rising costs**

Shareholders

As owners of our company and providers of capital, supportive shareholders are instrumental to our growth.

- Our senior management team met with shareholders and potential investors across the year via a programme of results presentations, individual and group meetings and attendance at in-person and UK and US virtual conferences
- Our AGM, which provides an opportunity for shareholders to ask questions and vote on resolutions
- Our corporate brokers and sell-side analysts provide valuable feedback and market insight

- How will the business return to operating margin growth?
- What is the level of investment needed to deliver sustainable growth?
- The increasing threat of competition and pricing pressure
- Quality and behaviours of new clients
- How we are dealing with aspects of ESG as a business, a platform and a Fund Manager

- **We held a Capital Markets Day to outline our strategy and address specific topics raised**
- **Key topics were incorporated into presentations and results announcements across the year and for separate governance and ESG meetings held by the Chair**
- **Regular reports and feedback to the executive team and the Board on key market issues and concerns**
- **We have considered climate change impacts on our business and issued our TCFD report and our first SASB assessment**

Society

Responsible businesses that support their local communities and wider society will be those that thrive in future.

- Active engagement with policymakers to ensure the position of retail investors in the UK is understood and policies are designed to help investors
- We have established a Savings and Resilience Sounding Board to explore options for supporting clients with financial resilience, with representation from HM Treasury, the Department for Work and Pensions, FCA, Money and Pensions Service and other businesses and charities
- We have explored citizenship and sustainability agendas through various relationships with community partners, charities and Bristol One City Plan. We listened to issues raised at our AGM

- Savings and Resilience of the nation in the aftermath of the COVID-19 pandemic and given the cost of living crisis
- The Guidance-Advice boundary and how clients may benefit from greater support with their investments
- Retail access to IPOs
- Supporting the communities in which we operate to thrive
- To consider our climate strategy and the environmental impact of our operations

- **We have launched the Savings & Resilience Barometer in partnership with Oxford Economics. A tool that will support clients and policy makers with better understanding financial resilience issues**
- **We have campaigned to increase access to retail IPOs and increase investor access to guidance**
- **We have undertaken fundraising initiatives and events to support our local HL Foundation Charities of the year, 1625 Independent People and Bristol Mind**
- **We have launched a new 'Switch your Money On' offering free insight and education on key investment topics from HL and industry experts**

ENABLE OUR PEOPLE, STRENGTHENING OUR CULTURE

Our colleagues are our biggest asset and are fundamental to delivering our vision, our strategy, and the sustainable growth of our business.

We want our colleagues to have meaningful and rewarding careers and make HL a great place to work, develop and fulfil career potential.

Unprecedented times

The past year has continued to be difficult for all of us. Whether it concerns the global pandemic, war in Ukraine, cost of living crisis or the volatile stock market – the wider environment has had a significant impact on all our colleagues.

Responding to these challenges and supporting our colleagues through them has been a critical focus. At the end of August 2021, we rewarded all colleagues at certain role levels with a one-off special award to thank them for working together and supporting our clients through the challenging pandemic period. Subsequently in May this year, in recognition of the fact that rising living costs were impacting the finances of colleagues, we provided a one-off payment to those we believed would be most adversely impacted, based on their current basic salary. This payment was designed to give colleagues some breathing space as they faced rising costs.

Alongside this payment, we also made some immediate changes to the pay levels of our entry level roles in Service and Facilities and continue to invest in our colleagues as part of our year-end review through salary increases and our bonus scheme.

The aftermath of the pandemic has presented new opportunities to improve how we work together, and we are actively involving our colleagues in how we develop this. As our colleagues have been able to return to the office, we have been continuing to support them in a new flexible way of working. We have been listening and responding to colleagues needs to ensure they are motivated and enabled to perform at their best. This includes improving our office environment to make this an inclusive and collaborative space for colleagues. →

Our culture and the HL Way

Over the past year we've placed a big focus on developing our culture as this underpins the delivery of our strategy.

Our client focused mind-set has helped us become the successful HL we are today and has made us an industry leader. As we continue to develop and grow, the way we conduct ourselves is critical for us to thrive at scale.

Last year, we launched 'The HL Way' to help colleagues make the right choices for our clients, and each other. The HL Way is how we work, providing tool sets for good decision making, with guides and examples of good practice. It brings our values and the Conduct Rules to life, building on our aim – to help our clients to save and invest with confidence – using our knowledge, our expertise, and remembering our regulatory responsibilities.

This year, we have evolved the HL Way to help colleagues understand how best to fulfil their personal responsibilities, making clear what we stand for, the principles to follow and why it's important. Providing clear guidance helps colleagues live by our values, make effective decisions, and tells them where to go for help when things don't feel right.

> Each of our colleagues play an important role in the team at HL. The HL Way will help colleagues make the right choices for our clients, and each other.
>
> **Chris Hill**
> Chief Executive Officer

Strengthening our culture is a key priority as this is essential to delivering our strategy and providing great service for our clients. Over the past year we've delivered a range of activities focused on colleague engagement. This has ranged from company-wide hybrid town hall events, expert webinars and focus groups to prepare and engage colleagues with our new strategy and transformation programme, 'act of kindness' gifts, and social events to foster our sense of community and collaboration.

This year we hosted our first in-person HL Heroes recognition awards where we asked colleagues to nominate colleagues who have demonstrated outstanding behaviours and conduct aligned to each of our values, and how this has positively impacted clients, colleagues, our community, stakeholders and the business as a result. Overall, we received 218 high calibre nominations to acknowledge those colleagues who have gone above and beyond.

Outstanding and diverse talent

Our focus on building a diverse and inclusive culture is not simply because it is the right thing to do. We believe it will lead to better outcomes for clients, colleagues, our community and our business. Diversity in its broadest sense, including race, age, gender, and religion, supports us to make better business decisions, manage risk more effectively and drive innovation. We believe inclusion and diversity is everyone's responsibility, so every colleague has this in their objectives, ensuring we all play our part.

Our inclusion and diversity strategy has three priority areas and an aligned action plan to drive progress. This strategy will enable us to continue to build our inclusive culture and brand where colleagues feel engaged whilst attracting a broad pool of talent.

More information about our Inclusion and Diversity approach and initiatives can be found at: **www.hl.co.uk/corporate-social-responsibility/diversity**

Female and ethnic minority representation

Two of our priority areas relate to the progression and retention of female and ethnic minority talent at HL. We know that tone from the top and executive buy-in and accountability continue to be crucial to achieving sustainable change. We have further strengthened commitment to progress this year by introducing specific gender and ethnicity performance targets for all executive members. →

> It was just really nice to have the HL Heroes in person and meet colleagues for the first time, whilst in a positive environment. I felt really honoured to be there and I hope it continues each year to inject such positivity into the workplace.
>
> **HL Colleague**

Female representation

We have made strong progress in increasing the proportion of women and creating a diverse workforce at HL and we continue to seek to improve:

- We are signatories of the Women in Finance Charter and are proud to have exceeded our target range (25-30% by 2021) , with 31.5% of senior management roles held by women.
- We have exceeded the FTSE Women Leaders target of 40% women on Boards and are proud to have a female Chair, Chief Financial Officer, Senior Independent Director and majority of female Board Committee Chairs.
- We have launched a new partnership with Women on Boards.
- HL was featured as a case study in the Fawcett Society's 'Menopause in the Workplace: Impact on Women in Financial Services' report.
- As of 30 June 2022, women made up 33% of the Executive Committee and its direct reports.
- We continue to participate in the 30% Club's 'Women Ahead' mentoring scheme.

This year, the 2021 gender pay gap figures show that we have reduced our Mean Gender Pay Gap, Median Gender Pay Gap and Median Bonus Gap since the last submission. Our Median GPG continues to improve year-on-year, from 19.1% to 14.5%, with continued positive movement since the figures from 2018. The Mean Bonus Gap has widened slightly, by 1.2% in the last year.

These figures reflect the increases in female representation at Board and Director level because of our strategic focus on hiring and promoting more, and losing fewer, senior women. However, we know to continue to ensure success this needs to filter down into the organisation to drive long-term change.

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

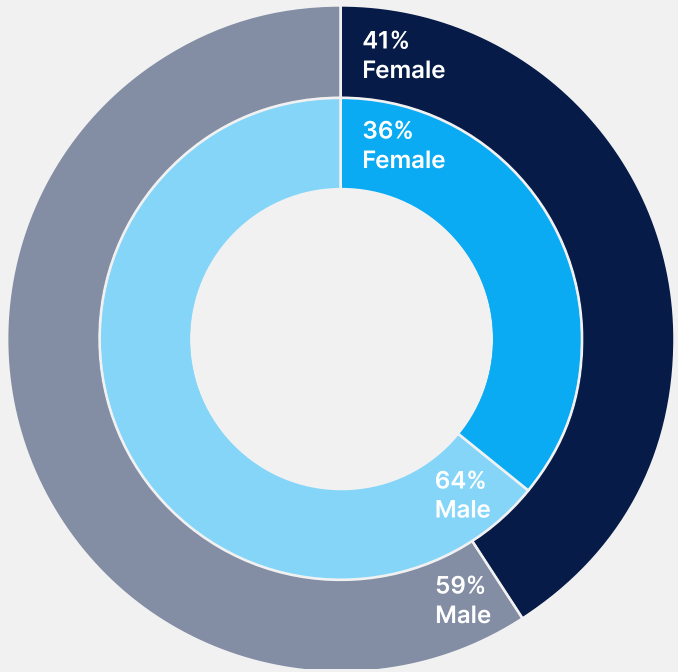
Ethnic minority representation

Since the launch of our Inclusion and Diversity strategy in 2020, we have focused on increasing the ethnic diversity of our workforce and supporting the progression and development of Black, Asian, and Minority Ethnic colleagues. Progress this year includes:

- Winning a Stepping Up award acknowledging the leadership and support HL is providing to changing diversity and inclusion across the city of Bristol.
- Launching the Strive internship scheme, aimed at providing paid work experience opportunities to Black, Asian and Minority Ethnic Students across the region. The scheme has won an Institute of Student Employers award for our outstanding partnership with the University of the West of England.
- Introducing representation targets for female, ethnic minority, and black representation at senior and mid-career levels.
- The Board meeting the Parker Review recommendation to have at least one Director from an ethnic minority background by 2021. →

Our workforce

Total workforce 2022: **2,042**
Total workforce 2021: **1,842**



	As at 30 June 2022			As at 30 June 2021		
	Board of Directors	Other senior management[1]	Total employees (FTE)	Board of Directors	Other senior management[1]	Total employees (FTE)
Female	5 (50%)	13 (28%)	839 (41%)	3 (33%)	10 (26%)	670 (36%)
Male	5 (50%)	34 (72%)	1,203 (59%)	6 (67%)	29 (74%)	1,172 (64%)

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.

Inclusive culture and our colleague networks

Alongside our focus on diversity, we have committed to creating an inclusive culture at HL. Our award-winning HL colleague networks play a critical role in fostering inclusion and belonging, and each one is supported by an Executive sponsor to ensure their activities get the visibility and support they need to have the greatest impact.

These networks continue to grow their membership, activities and influence and include:

- Gender diversity group
- Cultural diversity group
- Kaleidoscope (LGBT+)
- Wellbeing groups including mental, physical fitness and social activities
- Sustainability Group
- Financial Inclusion
- Chronic Conditions and Disability Group

Over the year, the groups have been active in promoting the importance of inclusion and diversity as well as engaging colleagues. Over 300 colleagues are members of one or more of the networks, and the networks have delivered events across the year, marking key dates and campaigns, with both external speakers and internal panels.

We are an equal opportunities employer and give full consideration to all applications. When a disabled colleague commences employment or becomes disabled during employment we will, in consultation with the colleague, ensure that such reasonable adjustments are made as required to enable them to work safely and effectively. We recognise that all colleagues have equal rights to career development and training based on their abilities and therefore this will be made accessible to them, with reasonable adjustment considered as required.

Whilst we know there is always more we can do, we feel proud that our 2022 Colleague Survey results showed that 83% of colleagues feel positive that HL values and promotes employee diversity (with 4% responding negatively and the remainder neutral).

Other progress this year in supporting inclusion at HL includes:

- Issued a new Trans and Non-binary Equality policy and introduced gender-neutral toilets
- Launched a mandatory inclusion and diversity e-learning for all colleagues to support us in building an inclusive and psychologically safe environment at HL
- Rolled out Empowered and Inclusive Team Working Masterclasses for leaders
- Launched 'ExCo listening sessions' supporting Executive Committee members to gain greater insights into the lived experiences of different colleague groups

Reward

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.

We believe in clear, fair, and transparent pay and reward. Our salaries go beyond our legal obligations, the National Living Wage (and national minimum wage for those on internships, placements, or apprenticeships) and we are proud to say that we are Living Wage Foundation Accredited.

We do, however, know we can do more. Building and maintaining a strong colleague proposition that ensures colleagues are rewarded fairly and that we are competitive in the market is fundamental to ensuring the success of HL. As such we're working on developing and improving our colleague value proposition.

Given the challenging external conditions faced in the year from the increased cost of living, we have supported our colleagues with a one-off 'breathing space' cash payment in addition to their pay.

To complement our pay, we include most of our colleagues in a bonus scheme linked to the success of HL 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 2022, c45% of eligible colleagues are currently participating in one of our existing Share Save Schemes.

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 comprehensive range of protection, health, financial and lifestyle benefits to ensure we provide a benefits package that our colleagues value. This includes double matching of any payroll giving that colleagues make to the HL Foundation.

Learning and development

Learning and development is a key component of our People Strategy and aligns to our overall strategy and approach. We want everyone to have the opportunity to develop as far as their effort and capability will take them.

We recognise the importance of building a pipeline of skilled and motivated talent for future leadership and expert roles and have developed several interventions to ensure we deliver this →

> We respect, value and embrace diversity and ensure everyone is recognised and respected for the different perspectives they bring.

Chris Hill
Chief Executive Officer

pipeline to meet the business needs. Our fully blended learning provision offers a bespoke service with the use of technology providing bite-sized, digital learning to support the ongoing engagement and development of colleagues when they need it.

We are committed to supporting the next generation and offer people the opportunity to start their career or gain work experience with us. This year we have introduced a new Service Graduate Scheme alongside our existing rotational scheme, a range of apprenticeships for school/college leavers and career changers. We also offer 12-month industrial placements for undergraduates, internships, and work experience.

Colleague engagement and listening

It is widely recognised that an organisation whose colleagues understand how their work adds value is critical to strategic delivery.

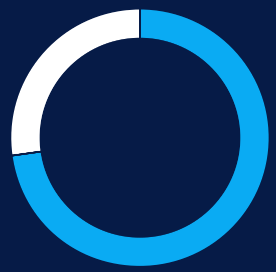
We believe it is important to listen to and understand our colleagues' views and motivation; their honest feedback is crucial in evolving our colleague engagement programme. Our most recent annual colleague engagement survey received a strong response rate of 73% (2021: 70%). Over the past few years, we've seen our key metrics fluctuate around a stable average. Our engagement score in our most recent survey was 64% (2021: 66%).

In addition to our twice-yearly engagement survey, we have run regular pulse surveys so that we can quickly respond to colleague sentiment. We've also run additional surveys and focus groups to obtain colleague insight into topics such as communication, whistleblowing, and our future workplace. We are always listening, so this year, we launched colleague listening sessions where members of the Management Team listened to what colleagues had to say on topics around pay, progression and culture at HL.

83%

of colleagues feel positive that HL values and promotes employee diversity (2021: 72%)

Response rate to the annual colleague engagement survey



- Response **73%** (2021: 70%)
- No response **27%**

The Colleague 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 strategy.

Human rights

We continue to embed respect for human rights and aim to ensure that our business operations and supply chain are free from modern slavery, exploitation, and discrimination. There have been no recorded incidences of modern slavery in our supply chain, but we are not complacent. We continue to monitor risks closely and want to drive up opportunities for colleagues to raise the flag and seek help when needed. 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. Our Human Rights Policy reflects key developments in the human rights agenda and defines our commitment to human rights including, but not limited to, the prevention of modern slavery and the provision of remediation when necessary, in our operations and supply chains. This includes the colleagues we employ and their right to be treated equally and their freedom of association. 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 colleagues and clear reporting procedures; a Whistleblowing policy and process; Anti-Money Laundering and Market Abuse policies and procedures for dealing with making and accepting gifts and hospitality.

All colleagues undertake bespoke training programmes, at least annually, for all these areas, in addition to having access to online guidance and procedures aiding awareness. Colleagues can access policy and guidance statements via the company-wide Sharepoint page 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**

BUILDING OUR POSITION AS A RESPONSIBLE BUSINESS

FIND OUT MORE

Pg 44: Non-financial information disclosures

Our vision for ESG at HL is to inspire confidence for a sustainable, resilient and successful financial future.

OUR VISION, STRATEGY, CULTURE AND VALUES...

...DRIVE OUR COMMITMENT TO CORPORATE CITIZENSHIP

Community

Play a positive, supportive and leading role in our local community.
Pg 33

Responsible business focus

Ensuring responsible and sustainable decision making is at the heart of everything we do to empower clients, our local community and wider society.
Pg 34

TCFD

To reduce our contribution to climate change and support the transition to a low carbon economy.
Pg 37

Our approach to responsible citizenship

Hargreaves Lansdown is enabling clients and society to build their financial resilience. As a leading FTSE 100 financial services company, we are committed to integrating sustainable social, ethical and environmental considerations into our long-term view of managing the wider environment and social footprint.

We do this through three approaches

- HL's actions as a responsible business
- HL's stewardship as a responsible fund manager
- HL's offering as a responsible investment and savings service provider →

E

‘E’ is about how we reduce our impact on the environment and ensure our business and the service we offer our clients is sustainable for the long term.

It means assessing and addressing risks to the resilience of our business over the long term and as such ensuring we are well prepared for the challenges our clients, community and other stakeholders will face in future.

S

‘S’ is about how we support our community, clients and colleagues.

There is increasing scrutiny on how businesses treat their colleagues and communities – it needs to be fair, transparent and have clear alignment to addressing the issues in our society including Inclusion and Diversity. We need to ensure that our colleagues and clients can be confident that HL is a business that does the right thing.

G

‘G’ is about how our governance supports the long-term resilience and sustainability of our business.

We need an effective governance structure that allows for the robust challenge and transparent reporting that is expected from a business of our size and influence. It helps us to make and execute better decisions. The FCA has made the importance of business culture very clear. Clear and effective governance is key to this and integral to our ESG and wider strategy.

In order to deliver on our purpose, to empower people to save and invest with confidence, we encourage clients to take control of their financial future and support them in establishing and maintaining the resilience that this requires over a lifetime. We are a responsible and sustainable business that works to deliver for all our stakeholders.

In 2022 we have continued to make progress on our ESG strategy. From supporting the local community to minimising our global environmental impact, we want to ensure our actions have an increasingly positive impact.

In the community we have:

- Helped young people to get the best start to life to enable them to gain the skills and confidence to get a job.
- Supported local businesses through mentoring.
- Supported the regional economic recovery plan.

Community

Supportive and leading role in our local community.

We're proud of the contribution our colleagues and business make to the local community and our focus has been on supporting activities that encourage social mobility whether through education, food provision or financial resilience.

We appreciate the difficulties the pandemic has presented to education and have donated over 140 laptops to schools in order to close the digital divide. Our apprenticeships and placements offer students the opportunity to gain experience and life skills.

One City Approach:
We are 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 also 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, including involvement in the Skills and Economy Board, supporting the city wide initiative to end period poverty in Bristol and 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.

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.

We run a number of volunteering schemes, focused on building social mobility and improving resilience. These are primarily based within schools, developing the building blocks to enable future resilience, focusing on basic numeracy and literacy skills. Our Envision Mentoring programmes enable young people to work with business mentors to tackle a real-life social issue, whilst gaining insight into the world of work through meaningful employer engagement. Additionally, we work with the Bristol Sport Foundation to support disadvantaged children through providing volunteers to hear primary school children read aloud, or providing mentoring support to students at risk of dropping out of the school system.

All of our schools volunteering activity takes place with young people who have been identified as in receipt of the pupil premium/ eligible for free school meals, with the hope of building their confidence and employability skills.

We also support local organisations such as Fareshare and Feeding Bristol, in addition to sustainability focused organisations such as Avon Needs Trees, Your Park and Marine Conservation Trust.

Our volunteering scheme has exceeded 5,750 hours volunteered since 2019.

HL Foundation
The HL Foundation is our charitable trust. 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.

The charities we support are nominated and selected by employees.

Our charity partners for 2022 are 1625 Independent People and Bristol Mind. We have a programme of engagement focused on fundraising and volunteering activities, including financial education sessions and skill based volunteering to support the charity operations. In light of current affairs, we also set up a fundraising appeal to support those impacted by the war in Ukraine.

Our fundraising aims are to:

- Continue to fund a mental health worker and a mentoring coach to support young people's well-being
- Support career guidance, financial wellness and inspiring future employment opportunities for vulnerable young adults
- Cover the cost of phone calls to MindLine helpline for one month
- Fund the training for at least 20 volunteers to be trained on the MindLine helpline

As well as support to fundraising, we also 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/corporate-social-responsibility/hl-foundation**

Responsible business focus

Responsible and sustainable decision making at the heart of everything we do.

Savings and Resilience Barometer

Financial resilience has become a central issue over the past two years as we continue to experience and live with the consequences of the pandemic and the economic uncertainty it has created.

In January we launched a wide-ranging piece of research on the financial resilience of the nation. This research sought to look at how issues, from debt and protections, to savings and investments, interact so we can understand how to build a more resilient nation.

This research was developed from our '5 to Thrive' campaign which focuses on the five core pillars which are the building blocks to developing greater financial resilience; controlling your debt, protecting you and your family, saving a penny for a rainy day, plans for later life and investing to make more of your money. By building an ongoing campaign around this, we are democratising some of the expertise that we have within our advice teams for those that can't or won't pay for such services.

More information can be found at **www.hl.co.uk/features/5-to-thrive** and our comparison tool can be found here: **www.hl.co.uk/features/5-to-thrive/savings-and-resilience-comparison-tool.**

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 2022 was £61.6 million (2021: £77.5m). 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/tax-strategy**

United Nations Sustainable Development Goals (UNSDGs)

The UNSDGs 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. Find out more about how we align to the UNSDGs on the CSR section of the HL website. →

Hargreaves Lansdown contribute to the following United Nations Sustainable Development Goals

Supporting climate action

Our commitment to sustainability means integrating social, ethical and environmental considerations into our operations. Strong corporate governance ensures sustainable management and growth with a long-term view and a responsibility to manage our wider environment and social footprint. We have committed to support the delivery of the United Nations Sustainable Development Goals (UNSDGs) and finding opportunities within our businesses to build a cleaner, more resilient and inclusive world.

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, as explored in our TCFD report on page 37.
- Committing to be net zero by at least 2050 and to be carbon neutral across our Scope 1, 2 and 3 business travel and employee commuting emissions by 2025.
- 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 colleague Environmental, Sustainability and Climate Change network.

Our business is fundamentally based on intellectual capital and conducts the majority of client transactions online and undertakes no industrial activities. Therefore, the direct environmental and social impacts of our daily operations are limited. We are aware that under Scope 3 emissions, our investment portfolio is the most material source of carbon emissions and we are currently reviewing our approach to this with an external agency.

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. The installation of energy-efficient servers, transitioning to cloud hosted services and a programme of cyclical replacement of hardware and software reduces our 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. We 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, 93% (as of June 2022) of our clients are registered for online accounts and 81% now use our paperless service.

Where we do send out paper, such as our flagship magazine 'The Investment Times', we use sustainable resources and minimise our use of plastic. The Investment Times is now sent in recyclable paper envelopes rather than degradable plastic saving the equivalent of 1.4 million plastic bags.

We recognise that sustainability and ethical behaviour is increasingly important to our clients and we provide investment information, research and guides on ethical investing within our Responsible Investment section on the website. Our ESG investment and engagement policies can also be found here. →

BUILDING OUR POSITION AS A RESPONSIBLE BUSINESS CONTINUED

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, we have included our TCFD in this report and our Sustainability Accounting Standards Board (SASB) report can be found on our website. We collaborate with rating agencies such as Sustainalytics and MSCI, which helps highlight where we can improve. We aim to continue to go the extra mile in this area and increase our participation in forums and industry collaboration.

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.

Doing it better for our colleagues

We promote energy efficiency and the avoidance of waste throughout our operations, in accordance with our environmental policy.

- 100% of the general waste and packaging disposed of in our head office is recycled. We have implemented food waste recycling across our offices.
- Our water usage by increased by 7.5%, however, this was driven by increased numbers of employees to work from our office as opposed to home.
- Working alongside colleagues across internal departments we are embedding sustainability considerations within our return to the office planning. This includes advocating for employees to engage in sustainable behaviours by providing the facilities within our office, such as bicycle storage, free bicycle maintenance checks and amenities such as changing rooms to enable more sustainable commuting. We recently increased the allowance available for the Cycle to Work Scheme and offer season ticket loans for employees to use public transport.

We shred and recycle all confidential waste. We save energy through the passive infrared sensor lighting in our offices and we have a number of initiatives internally to reduce our paper use, with the ambition of being a paperless office. These activities are supported by running educational talks to promote recycling, from external speakers such as City to Sea, Avon Wildlife Trust and The Soil Association. We donate old office and IT equipment to schools and charities where appropriate or dispose of via specialist third parties.

Our Financial Advisers are spread throughout the UK which minimises travel time and carbon emissions. We also provide a telephone advice service where a face-to-face meeting is not required.

For the year ending 30 June 2022 our emissions per employee decreased by 20%.

Colleagues are passionate about working together to ‘do it better’ and our Sustainability Network is vital in helping us to achieve our environmental aims. From promoting initiatives to reduce our carbon footprint through talks, events and written articles for staff, through to introducing initiatives for waste reduction and increasing climate-change awareness. The Group are currently working on engaging with communities on sustainability-related issues through volunteering and, promoting sustainable commuting habits with the aim of coming back to the office greener.

Online accounts
93%
of our clients are registered for online accounts

Paperless service
81%
of our clients now use our paperless service

Recycling
100%
of the general waste and packaging disposed of in our head office is recycled.

NET ZERO
We are committed to be net zero by at least 2050

Doing it better for the wider community

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, as demonstrated by our membership of the Bristol Green Capital Partnership. To support this, we source 100% of our electricity from renewable sources. HL colleagues also have the opportunity to volunteer in projects which have a positive impact on the environment. We recognise how important biodiversity is for a healthy planet and are working with local organisations to conserve and maintain green spaces near to the office such as the rewilding of College Green to help promote biodiversity in the centre of Bristol, tree planting and beach cleans.

We continue to work with TravelWest to support their Travel to Work Survey so we can feed into the city’s transport plans and provide more accurate Scope 3 employee commuting data. →

TCFD

We are committed to becoming a more sustainable business.

We are aiming to align with the global goals of the Paris Agreement to limit global warming to 1.5 degrees Celsius and aim to take responsibility for how we manage the impact we have on the environment and on climate change.

Our commitment to sustainability means integrating social, ethical, and environmental considerations into our operations with strong corporate governance ensuring more sustainable management and development with a long-term view, in addition to our responsibility to manage our wider environmental and social footprint.

Last year, we reported the significant step we had taken of committing to achieve net zero emissions no later than 2050 across our full range of business operations. In 2022, we have continued to develop our approach to this, further refining our commitments, and going into more detail around our investment data.

Our strategic objective is to reduce our contribution to climate change and support the transition to a low carbon economy. We are aiming to limit our direct carbon impact, and educate ourselves and our wider stakeholders, including clients and shareholders, creating environmental awareness and striving to live, travel and work in a more environmentally responsible manner.

Within our fund management we strive to embed climate considerations in our investment management and stewardship activity, with all new HL funds EU SFDR Article 8 aligned at a minimum, and supported by offering clients the tools, information and research to invest in line with their values.

The Task Force on Climate-related Financial Disclosures (TCFD) seeks to improve and increase the reporting of climate-related financial information. We are pleased to present our second report, covering HL Plc and its operations, aligning to the recommendations set out in the TCFD framework. We set out below our climate-related financial disclosures consistent with the all TCFD recommendations and at least 9 out of 11 of the recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD. For strategy disclosure (a) and metrics and targets disclosure (a), further work is planned to enhance the identification, impact and reporting for climate-related risks and opportunities and how these map over the short, medium and long term, in addition to further work on defining the metrics used to assess these risks and opportunities. We will continue to develop on this report year on year and intend to include these additions within the 2023 report. We will continue to develop on this report year on year, including adding greater detail on our fund management process in future iterations.

> "Our strategic objective is to reduce our contribution to climate change and support the transition to a low carbon economy.

Governance

Our Board of Directors oversee our long-term strategy. This includes ESG, climate change and sustainability.

They analyse progress with bi-annual board papers, regular focused presentations, and deep-dive sessions. This covers topics such as the overarching ESG strategy, our approach to risks and opportunities and how these approaches feed into objectives. The Board agrees the corporate objectives and approves initiatives, such as our emissions targets, director objectives and supporting our Group policies.

The Board takes collective responsibility for all sustainability matters, encouraging collaboration. In turn this will help drive change, and a more sustainable future for our business and our clients.

Our Executive Committee review an ESG Dashboard on a quarterly basis, providing them with updates on evolving ESG risk and governance, our emissions data and client attitude towards ESG. Additionally, our executive compensation is linked to a number of ESG areas, including our environmental goals, which can be found on page 111 in the 2021 Report and Financial Statements.

In 2021 we have had ESG sessions with external consultancies to help build the working knowledge of those involved within the ESG arena. Day to day activities are coordinated and driven through our ESG Taskforce and working groups. This is made up of representatives across the core strategy areas of responsible fund management, fund research and analysis, client proposition, compliance, product governance, public affairs, and responsible business. →

BUILDING OUR POSITION AS A RESPONSIBLE BUSINESS CONTINUED

This means colleagues from across the business are working together to optimise climate-related opportunities and minimising risks.

The HL Sustainability Group is an employee-led network focusing on sustainability, with over 70 core members. The group is sponsored by a senior executive and works to help us to engage colleagues and support the business to understand, measure and reduce our direct and indirect environmental impact. Over the past year the group have supported the work to return to the office greener, with the installation of electric vehicle charging points, improved cycling facilities, transition of internal supplies to sustainable alternatives and our food waste recycling scheme.

Strategy

Whilst we are aware that changes required to achieve a low carbon economy may present some risks, we also believe that there are opportunities for us and our clients during this transition. We are committed to ensuring our business operations are structured to ensure we contribute to a low carbon based economy as well as ensuring our clients have access to the relevant tools, information and research to make involved decisions on where to invest, available on our Responsible Investment Hub.

www.hl.co.uk/funds/responsible-investment

We have undertaken a scenario analysis, looking at four scenarios for global warming, over two different time frames. This helped to form the foundations of our climate change strategy that will ensure HL is a financially resilient business. We have developed the analysis undertaken in FY20, to include any other factors which have arisen in the past year, such as implications from COP 26, the Ukrainian war and subsequent energy crisis. Additionally, our scenario analysis includes more information on the impacts of COVID-19 as more data is now available. This includes research on the impacts of COVID-19 on the environment and socio-economic factors such as business travel.

In our first scenario, climate action has been prioritised and emissions significantly reduced by 2030. As a result, global temperature increases have been limited to 2°C or less. Our second scenario is 2°C or less in 2050. In the third, no climate action has been taken by 2030 and global temperatures have risen by 4°C or more. Lastly, this scenario has been considered in 2050.

The qualitative and quantitative data enables a consideration of the 'what ifs'. These scenarios will be assessed in terms of the risks, opportunities, and the materiality in the next steps of the TCFD process.

Unless stated otherwise, the data are assumptions of what could be expected in the scenario. Those that do not fit the time frames, such as the 'reputation' analysis, are included as they offer supporting evidence and an understanding of the risk posed.

The scenario analysis will form the foundations of a climate change strategy that will ensure HL is a climate resilient business.

> We are committing to achieve net zero emissions no later than 2050.

We have focused our scope on five key risks, in line with TCFD recommendations.

1. Technology:

Climate change and resource scarcity are linked. As a digital business, there's a risk the technology we use doesn't use scarce energy efficiently.

2. Policy and Legal:

With the transition to a lower carbon economy, policies such as carbon-pricing mechanisms and taxes could pose a risk to our business.

3. Markets:

These disruptive policies could influence financial markets. We have considered this market risk having policy and legal repercussions. In particular, the impact of a shift away from fossil fuel investment.

4. Reputation:

How we participate in the transition to a lower carbon economy could affect our reputation.

5. Physical:

We have considered the chronic physical risks of coastal flooding from rising sea levels or riverine flooding risks, as well as temperature rise implications.

Predicting socioeconomic development is arguably more difficult than predicting the long-term physical impacts of climate change. To make sure our analysis was broad enough, we applied a range of existing models[1] to these five key risks. We also looked at third-party research, expert judgement, and internal stakeholder focus groups. →

1 Examples of models used; WRI Aqueduct Floods; Climate Central Surging Seas; IAMC 1.5°C Scenario Explorer, IIASA; PRI IPR and IEA.

Risks and opportunities

We undertook an internal risk assessment using scenario analysis on our operations. It found the 2030 scenario for 2°C low risk, but then this increased to medium risk for the 4°C scenario. The 2050 scenario for 4°C was deemed to be high risk. These risks were assessed via a 'likelihood' versus 'impact' matrix, offset against controls to mitigate to help determine the risk rating, for example a high risk has a high likelihood and higher impact of causing a significant event. The main risks were transitional – market, regulatory and reputational risk.

We recognise the significance of global warming and as a diversified financial institution, HL has exposure to both physical and transition risks. Despite a lack of direct exposure to climate-related risks, a scenario like that articulated by the Inevitable Policy Response (IPR) could impact our future revenues and profits. As a result, we have committed to aligning our business with the global goal of achieving net zero by 2050.

Opportunities include:

- Increasing availability of energy efficient technologies for example, cloud hosted services could significantly reduce our operational carbon footprint.
- Utilising business communication technology, such as Teams and Zoom, to keep aspects of remote working, limit business travel and consequent emissions is also crucial here.
- As business travel across the industry has not returned to pre-pandemic levels, there is an opportunity to leverage technology, limiting carbon and emissions under Scope 3. There have been positive short-term impacts on the environment from less commuting and business travel. Our year on year Scope 2 emissions decrease for 2020-21 was well within expected minimum levels. We are aware that this could be partially due to COVID-19 and the impacts of virtual work. Post-pandemic, we will observe employee behaviours on commuting and business travel. If this returns to pre-pandemic levels, we will record this, and revise our mitigation accordingly.
- The chance to enhance brand value through robust reporting. Authentic targets will attract and retain colleagues, clients and shareholders. And we know that transparency drives investor confidence.
- The Department for Business, Energy and Industrial Strategy[2] (BEIS) stated the UK low carbon economy could grow four times faster than the rest of the economy between 2015 and 2030.
  - We can support our clients to invest in this area, through our Responsible Investing hub. We have created a responsible investment hub which makes it easier for clients to invest in this area. Here, there is information about ESG investing, tools and articles as well as providing a list of funds in the responsible investment sector.
  - Furthermore, as announced earlier in the year, we are launching a new Sustainable Finance Disclosures Regulation Article 9 aligned fund over the coming years, in addition to ensuring all additional new funds are SFDR Article 8 as a minimum.

Risks:

In our original scenario analysis we assessed the 2°C and under 2050 scenario posed a medium risk. Limiting temperature increases over the next few decades will involve costs for businesses. These might act as a drag on share prices and could also impact economic growth compared to the business as usual scenario. This shows that climate action economic benefits significantly outweigh the cost.

In the 4°C and above 2050 scenario, a significant increase in energy demand is expected as a result of rising water scarcity. We assessed this was a high risk. Due to the misalignment with the Paris agreement, reactive policies and taxes could be implemented. In addition, increased protests and citizen climate activism could be targeted at FTSE 100 companies.

An overarching risk across all scenarios is the reputational damage, which can in turn lead to litigation risk. This could result from poor climate risk management, misalignment with reporting and 'greenwashing'. We recognise the impact this could have on relations with all of our stakeholders. This is ever present, particularly after COP 26 and the increase in green investment products.

Hitting our climate-related targets is the key to mitigating this risk. Our approach is to set short-term targets to make sure we are on track to meet long-term pledges. Within our operations we have set a target to achieve by 2025, before then looking to 2050, as stated here: **www.hl.co.uk/corporate-social-responsibility/climate-commitments**. We will follow the same approach within our fund management, with targets set by 2023. These will be reviewed by our Board and driven by our ESG Taskforce.

We also need to consider demand for our services if we don't evolve to embrace ESG investing. Likewise, consideration must be given to the business' growth rate and falling average age of HL's clients. The environment is one of the top concerns[3] of millennials and Gen Z. As the business' youthful client base grows, so do the expectations and scrutiny of our climate action and we recognise the importance of championing responsible climate action for all current and future stakeholders.

Risk management

Climate change risk forms part of HL's Risk Universe. Each department within the business has responsibility to identify potential climate-related risks and implement mitigating controls. Strategic implementation of climate-related objectives are overseen by the Executive Committee.

Emerging developments of climate related risks are monitored through the Group's Emerging Risk and Horizon Scanning process. The Executive Risk Committee and Board Risk Committee receive quarterly updates on HL's emerging risks and the actions being taken by Accountable Executives.

We continue to focus on strengthening our management of climate-related risks making these considerations a component of our strategic planning process and executed through strategic implementation. For example, the Funds HL proposes to launch as part of its new strategy place increased focus on ESG considerations in their selection and management. HL has assessed the financial impact of the risks and the financial impact is not material. Over future iterations we intend to develop our quantification of these risks and add further analysis to the financial impact. →

2 HM Government 2017, "The Clean Growth Strategy".

3 Deloitte 2020, "The Deloitte Global Millennial Survey 2020".

Risk		Impact identified	Mitigation
Transition	Technology	• The link of climate change and resource scarcity is becoming increasingly apparent, for example, droughts and heatwaves will make the water needed to produce electricity scarce. As a digital business, we are aware of the risk of not having the right technology to manage energy scarcity. • The ongoing energy crisis is resulting in increasing costs for running a digital business due to material infrastructure. • We intend to undertake work to understand the potential technology risks within our portfolio. • Whilst there is a risk of not having sufficient technology to manage energy scarcity, in addition to considering unsuccessful investment in new technology & costs to transition to lower emission technology we believe this is a low risk in the short term but poses a higher risk over the long term in a 4 degree scenario.	The risk of energy scarcity is being managed through the transition to cloud hosted services, such as Amazon Web Services (AWS). Using the cloud means fewer servers are needed and less energy used. HL is transitioning to using AWS systems, for which Amazon claims the AWS's infrastructure is 3.6 times more energy efficient than the median of the surveyed US enterprise data centres, delivering a 72% reduction in carbon footprint on average. As this transition has been confirmed, HL could expect increased energy efficiency by 2030. Coupled with our investment in cloud-based services is our exploratory work into how we can deploy artificial intelligence to enhance efficiencies. We're also improving the energy efficiency of our operations through conscious switches, such as installing LED lighting in our offices. Between 2015 and 2020 we've reduced the energy (kWh) we use per client by 57.9%. Due to virtual working, people are commuting less which leads to less emissions. Following the pandemic, a YouGov poll found that 34% of UK respondents stated environmental sustainability affects their decisions around travel. In the UK there has been a 142% increase in hybrid working. It was also found that 42% of people would not return to business travel such as business trips and client meetings, choosing instead to hold them virtually. This has created an opportunity to reduce Scope 2 emissions, especially in the short-term. The effects on emissions are potentially long-term depending on the evolution of these social behaviours and attitudes to business travel.
	Policy and legal	• With the transition to a lower carbon economy, we have recognised the risk that reactive policies could have to HL, such as carbon-pricing mechanisms to reduce GHG emissions, and associated taxations. • As regulatory requirements inevitably increase as new policies are introduced, additional costs needed to adapt to these should also be considered. • There are a number of legislative reporting changes due (such as SDR, TCFD, new ISSB Reporting standards) and failure to align to and report against these will result in negative impacts, both financially and reputationally.	We scan the horizon for policy and legal risks associated with climate change. We screen regulatory press releases, consultations and publications to spot potential changes that could impact our operations. Through this process, risks are assessed in terms of impact.

Risk		Impact identified	Mitigation
Transition continued	Market	• These disruptive policies could also pose a risk to financial markets. We have considered this market risk from the perspective of policy and legal repercussions, in particular, looking at the impact of a shift from fossil fuels. Also, how the demand for fossil fuels has changed due to socioeconomic behaviours and attitudes following the pandemic. • The Ukraine crisis and the intent to replace Russian oil has led to many countries turning to coal **(www.climatechangenews.com/2022/03/15/some-eu-members-turn-back-to-coal-to-cut-reliance-on-russian-gas/)** or imports of liquefied natural gas **(www.oilprice.com/Energy/Energy-General/Shale-CEO-US-Can-Easily-Replace-Russian-Gas.html)** as alternative sources to close the gap short term. This presents a risk to the decarbonisation transition. • Carbon markets recognised at COP26 which can open new revenue streams. This has an impact on financials of putting an explicit price on carbon emissions, and the knock on effect that can have to listed companies and the market. • This could pose a low risk over the short term due to reactive policies listed and impact on the markets, resulting in increasing risk over the longer term	Disruptive policies and the subsequent shift away from fossil fuels poses a risk to client outcomes, for example to meet the 1.5 degrees target, phase-down of coal is required per United Nations COP26. We mitigate this risk by creating content that educates our clients on the importance of diversifying their investments. Diversification is a key part of building resilience into a portfolio and we offer clients the opportunity to save and invest in a large selection of assets. We have six responsible funds on the Wealth Shortlist currently, in addition to the nineteen new funds which will be launched that are EU SFDR article 8 aligned at a minimum and have launched our Responsible Investment Hub to provide clients with the tools and research to invest in line with their preferences. We are aware of the risk of portfolio exposure and risk management and are exploring tools to help identify our transition risks and to support client decision making. Within our Fund Management we integrate ESG factors into our portfolios and have an ESG proprietary dashboard to support our analysis.
	Reputation	• The Task Force has recognised climate change as a potential source of reputational risk in terms of an organisation's contribution to, or detraction from, the transition to a lower carbon economy. We have focused on the risk of a misalignment between reporting and HL's actions. • This could pose a short term, lower impact risk than the previous risks covered	A robust and transparent climate strategy will help mitigate the reputational impact stemming from climate inaction. This includes ensuring any promotion of funds is accurate and do not lead to claims of greenwashing which would have a negative impact on reputation.
Physical	Physical	• Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate pattern. • We have considered the chronic risk of coastal flooding from rising sea levels or riverine flooding risks, as well as temperature rise implications. • The Intergovernmental Panel on Climate Change (IPPC) report notes that climate change interacts with global trends such as unsustainable use of natural resources, growing urbanisation, social inequalities, loss and damage from extreme events and a pandemic, jeopardising future development. • Whilst there is an increasing risk of the physical impact of climate change over the longer term, it was deemed as lower risk due to the smaller impact it would have on our physical operations	As part of our business continuity plans, we consider the effects of adverse weather. We have plans and playbooks for incidents such as flooding. These plans also include annual due diligence of our suppliers, including climate-related risks. In terms of flooding, Bristol City Council's flood zone planning encompasses our core Harbourside office. Insurance is also in place for further protection. Temperature rise is mitigated through the installation of improved cooling systems that reduces the overheating of our core technology systems and server rooms.

Metrics & Targets

Targets are a means to ensure we are on track to meet our long-term goals. We continue to adjust our targets on an annual basis to keep the aims ambitious. We aim to set a science-based net zero target within the next year. With regard to operational emissions, HL commits to:

- Reduce our Scope 1* and 2* emissions by 15% (relative to baseline year FY18) each year.
- Measure and report all material Scope 3* emissions by 2023 – primarily focusing on our financed emissions which account for the majority of our emissions, and emissions which account for at least 50% of the total.
- 20% reduction in tonnes of CO_2e for Scope 1+2 emissions per average full-time equivalent employee each year (relative to baseline year FY16).
- 100% of the general waste and mixed recycled packaging disposed of in our head office is recycled. We are working to expand this to include our food waste by 2022.

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 2021 emission factors provided by DEFRA. The Group's Scope 1, 2 and 3 emissions for the year to 30 June 2022 are set out in the table below. 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. Scope 3 emissions relate to business travel and employee commuting. The table also shows the Group's energy usage arising from the gas and electricity purchased for and used in operating its premises, using the operational boundary definition.

Greenhouse gas emissions statement

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 2022 our emissions per average employee was 0.71 tonnes down 20% on the prior year (2021: 0.89). The average number of employees for the year was 1,984 (2021: 1,776).

	Tonnes of CO_2e		
Emissions from:	Current reporting year 2021-2022	Comparison year 2020-2021	Change
Direct emissions Scope 1 – Combustion of fuel and operations of facilities including air conditioning	942.1	975.5	-3%
Indirect emissions Scope 2 – Purchased energy for own use	476.1[1]	672.1[1]	-29%
Tonnes of CO_2e per average full-time equivalent employee	0.71	0.89	-20%
Energy used (KwH)	3,851,381[2]	4,446,733[2]	-13%
Scope 3 – Business travel	29.9	0.6	+4,902%
Scope 3 – Employee commuting	404.0	193.3	+109%

1 The purchased energy for own use figure includes 34.9 Tonnes of CO_2 emissions (30.8 T, 2021) relating to our operations in Poland. It is not feasible to split any other metrics by country.

2 The energy used figure includes 180,594 KwH (145,092 KwH, 2021) relating to our operations in Poland. It is not feasible to split any other metrics by country.

Scope 1 is calculated by taking the invoice consumption data (in KwH) from our Gas supplier and refrigerant gas data multiplied by the UK Government GHG conversion factors.

Scope 2 is calculated by taking the invoice consumption data (in KwH) from our Electricity supplier multiplied by the UK Government GHG conversion factors.

Scope 3 Business travel is calculated by taking colleague expense claim data multiplied by emission factor data. Employee commuting is calculated using Travel West 'travel to work survey data' and average distances travelled, multiplied by emission factor data, the percentage of colleagues working from home is also factored in. There has been an increase in Scope 3 emissions in FY22 as a result of COVID-19 restrictions being lifted and more people returning to the office and carrying out business travel. →

Net zero

HL recognises the significance of net zero, transparent disclosures and authentic pledges to allow for a sustainable economy. We are proud to support the transition to carbon neutrality by committing to net zero and publishing our TCFD assessment of climate-related risks and opportunities for our operations. We recognise that the hard work starts here in evolving our business to embed climate-related risk management, continue to refine and expand our disclosures, and focus on reducing HL's environmental footprint.

We are committing to be carbon neutral across our Scope 1, 2 and Scope 3 business travel and employee commuting emissions by 2025. We are using the term 'carbon neutral' as we recognise that we may need to utilise carbon offsetting as part of our commitment and without the certainty that we won't use them, we do not want to mislead with our commitments. This pledge complements the City of Bristol's 2030 net zero target, allowing HL to champion our community's green growth. This will be met through a combination of internal reduction methods and a portfolio of carbon removal and reduction projects. We commit to be net zero across all of HL operations emissions (including Scope 3 financed emissions) by at least 2050 and will seek accreditation for this via the science based target initiative, in accordance with the Paris Agreement by 2024 at the latest.

This is for HL plc.; we intend to disclose targets for HLFM and HLAM in the near future.

To read more about our ambitions, please refer to our climate commitments web page **www.hl.co.uk/corporate-social-responsibility/climate-commitments**

***Definition of terms used:**
Scope 1 and 2 are those emissions that are owned or controlled by a company, whereas scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it.

Scope 1 emissions: emissions from sources that an organisation owns or controls directly.

Scope 2 emissions: emissions that a company causes indirectly when the energy it purchases and uses is produced.

Scope 3 emissions: emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain. An example of this is when we buy, use and dispose of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries.

CORPORATE RESPONSIBILITY

Reporting requirement	Policies and standards which govern our approach	Where you can find out more
Environmental matters	Our report on Corporate Citizenship 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 35 to 43.
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 Citizenship 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 well-being. We are committed to building a diverse workforce at all levels and creating an inclusive culture for all. Our report on Corporate Citizenship 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 pages 26 to 30. Nomination Committee Report page 107.
Social	Our report on Corporate Citizenship 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 and Tax Strategy pages 33 to 34.
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 the People section of this report.	Employees and Human Rights page 30.
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 the People section of this report.	Anti-bribery and corruption page 30.

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)	51 to 59
Description of the business model	Business model	22 to 23
Non-financial key performance indicators	Strategy and KPIs	12 to 17

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.

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

Chris Hill
Chief Executive Officer

INVESTING FOR FUTURE GROWTH

Strategic investment programme underway to deliver improved operational efficiency and growth potential.

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

	Year ended 30 June 2022 £bn	Year ended 30 June 2021 £bn
Opening AUA	135.5	104.0
Underlying NNB	5.5	8.7
Market movement and other	(17.2)	22.8
Closing AUA	123.8	135.5

Hargreaves Lansdown provides the leading direct wealth management service in the UK. The strength of our brand, diversified offering and the quality of our client engagement and service has enabled us to continue to deliver net new clients and net new business growth in a somewhat turbulent year.

Net new business for the year totalled £5.5 billion (2021: £8.7bn) driven by increased client numbers, continued wealth consolidation onto our platform and inflows from existing clients. The prior year comparative saw the benefit of net new business and net new clients resulting from the announcement of the Pfizer vaccine and the optimism that brought to both clients and markets more broadly. The lockdown months in early 2021 also saw significant inflows as clients were predominantly home based with more time to open accounts, transfer investments, undertake trading activity and add money to the platform that was not being spent elsewhere. This year instead, investors have faced uncertainties caused by issues not seen for a generation with war in Europe, significant cost inflation, rising interest rates and continued macroeconomic uncertainty weighing heavily on consumer confidence which hit an all-time low in June of this year and in turn impacting net new business. Throughout the period, however, we have maintained our focus on engaging with clients and helping them to navigate these uncertain times, to improve their financial awareness and resilience. This, combined with the quality of service and breadth of proposition is key to building long-term client relationships. Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 92.1% and 91.8% respectively (2021: 92.1% and 91.4%).

During the year to 30 June 2022, we introduced 92,000 net new clients (2021: 233,000) to our services and grew our active client base by 6% to 1,737,000. The average age of new clients at 36 years old, is consistent with recent periods and they are behaving similarly to recent equivalent cohorts in terms of growing their AUA on the platform over time, diversifying their portfolios and using the tax wrapped accounts. We are encouraged by the qualitative aspects of these clients and the additional lifetime value they will bring to the Group as a result. On joining, new clients brought an average NNB of £15,565, up 12% on last year (2021: £13,943). →

"Our client focused strategic investment underpins our future growth.

Amy Stirling
Chief Financial Officer

Financial performance

Income Statement

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Revenue	583.0	631.0
Fair value gains on derivatives	–	0.6
Operating costs	(313.0)	(266.0)
Finance and other income	–	1.4
Finance costs	(0.8)	(1.0)
Profit before tax	269.2	366.0
Tax	(53.4)	(69.7)
Profit after tax*	215.8	296.3
Profit before tax	269.2	366.0
Total strategic spend		
– Investment cost	21.1	–
– Dual tech running cost	7.2	–
Underlying profit before tax*	297.5	366.0
Tax on underlying profit*	(59.0)	(69.7)
Underlying profit after tax*	238.5	296.3

* Underlying profit before tax, Tax on underlying profit, and Underlying profit after tax for the period exclude strategic investment costs and dual tech running costs of £28.3 million. See the Glossary of alternative performance measures on page 168 for the full definition. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures.

Revenue

Revenue for the year was £583.0 million, down 8% (2021: £631.0m), driven by lower share dealing volumes as anticipated given the more atypical trading volumes experienced during COVID-19 last year. This was partly offset by higher average asset values in the first half and the benefit that brings in higher platform fees.

The table below breaks down revenue, average AUA and margins earned during the period.

	Year ended 30 June 2022			Year ended 30 June 2021		
	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	254.5	65.3[7]	39	232.9	58.5[7]	40
Shares[2]	194.9	52.3	37	258.0	45.1	57
Cash[3]	50.0	13.6	37	50.7	13.0	39
HL Funds[4]	60.3	8.8[7]	69	60.7	8.4[7]	72
Other[5]	23.3	3.8[6]	–	28.7	2.8[6]	–
Double-count[7]	–	(8.7)[7]	–	–	(8.3)[7]	–
Total	583.0	135.1[7]	–	631.0	119.5[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, 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.

Funds

Revenue on Funds increased by 9% to £254.5 million (2021: £232.9m) due to higher average AUA levels. Funds remain our largest client asset class at 48% of average AUA (2021: 49%), and the revenue margin earned this year was in line with our expectations at 39bps (2021: 40bps). Funds AUA at the end of June 2022 was £58.2 billion (2021: £66.6bn).

We expect the fund revenue margin to remain at broadly similar levels for the next financial year, within the range of 38.0bps to 39.0bps.

Shares

Revenue on Shares decreased by 24% to £194.9 million (2021: £258.0m) and the revenue margin of 37bps (2021: 57bps) was within our expected range. This margin is primarily a result of the ratio of dealing volumes to average AUA. In the year client driven deal volumes fell by 32% to 8.9 million (2021:13.1m), whereas the average Shares AUA has grown by 16%. Within this decrease overseas deal volumes, which derive greater revenues were down 41%. The drop in deal volumes and revenues year on year primarily relates to the significant boost seen last year on the back of Pfizer announcing the success of their vaccine trials in November 2020 and the elevated deal volumes during the lockdown months of January 2021 to March 2021. →

Total deal volumes (including automated deals such as dividend reinvestment) decreased by 27% to 10.5 million (2021: 14.4m) but were in line with expectations of c40,000 deals per trading day, albeit from a peak in January of 46,000 deals per trading day driven by market volatility to a low in June of 37,000 as a result of low levels of investor confidence and a lack of market stimulus. Despite the more recent reduction in volumes, client driven trading remains ahead of levels seen prior to the pandemic. We are well placed to benefit from future market volatility and growth in share trading across the industry. However, we expect to see these more muted volumes continue through much of the year ahead. We remain the market leader in terms of UK stockbroking volumes with a 38.2% share (source: Compeer Limited XO Quarterly Benchmarking Report Q1 2022). Shares AUA at the end of 2022 was £45.9 billion (2021: £53.1bn).

Our revenue margin guidance for the next financial year on shares is 35bps to 40bps.

Cash

Revenue on Cash was broadly flat at £50.0 million (2021: £50.7m) as higher average cash levels were more than offset by a decrease in the net interest margin to 37bps (2021: 39bps) slightly above the top end of our communicated expectations. With the majority of SIPP cash placed on rolling 13 month term deposits, and non-SIPP on terms of up to 95 days, the full impact of any rate rise or fall takes over a year to flow through. Cash AUA at the end of 2022 was £15.0 billion (2021: £12.6bn).

As we progressed through the first half of our year, expectations of an interest rate rise gained momentum until 16 December 2021 when the Bank of England raised interest rates for the first time in three years from 0.10% to 0.25%. In the second half we have seen four subsequent increases, each of 0.25%, in February, March, May and June. The extent of pass through by us to clients is determined by the rates we are able to achieve with our relationship banking partners who we assess based on the criteria of security, liquidity and yield. Assuming there are no further rate changes, our guidance for this financial year is 90bps to 110bps.

HL Funds

HL Funds consist of 10 Multi-Manager funds, on which the average management fee ranges from 60bps to 75bps, three Select equity funds, on which the management fee is 60bps and our new Workplace Default Fund 'HL Growth Fund', on which the management fee is 10bps. Although the average funds under management were up 5% versus last year, revenue from HL Funds was broadly flat at £60.3m (2021: £60.7m) as previously announced price cuts took effect from 28 June 2021. These price cuts were initially announced in January 2021 as part of the annual Value for Money report on our own fund range and included cuts to the annual management charge on some of the Multi-Manager funds and the introduction of price reductions linked to economies of scale. The 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 69bps (2021: 72bps).

Overall, we have seen modest net outflows combined with negative market growth such that HL Funds AUM at the end of 2022 was £8.0 billion (2021: £9.0bn). The net outflows primarily relate to our advisory clients who hold these funds through our Portfolio Management Service, which we have not been actively marketing.

Looking forward, we are launching a range of new HL Funds along with new investment tools and solutions. This will improve the overall proposition and competitiveness of our own investment funds and will begin to drive net inflows. We expect to launch new funds with lower priced management fees than the existing Multi-Manager funds and will be moving certain existing HL Multi-Manager funds into the new lower priced funds. The margin for 2023 is therefore expected to reduce and be in the range of 55bps to 60bps

Other

Other revenues are primarily made up of advisory fees and Active Savings. The year on year reduction of revenue primarily relates to the removal of our paper based statement fees during the year.

Overall, we expect our revenue margin to be in the range of 44bps to 47bps for the full year.

Active Savings

Assets held within Active Savings on the platform continue to grow and are shown in the previous table as 'Other'. Whilst growing, the related revenue is not yet material so has been included with various other revenue streams in the same table. Our focus is on growing Active Savings cash balances through both attracting new clients and retaining cash assets on the platform. In the last quarter of the financial year, following the base rate increases, we have usually been able to offer market leading rates from our growing range of partner banks. Combined with marketing Active Savings for the first time, we have seen a significant step up in flows towards the end of the year. Active Savings AUA at 30 June 2022 was £4.6 billion (2021: £3.1bn). →

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Revenues

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Ongoing revenue*	414.1	390.5
Transactional revenue*	168.9	240.5
Total revenue	583.0	631.0

* Definitions are shown in the Glossary of alternative financial performance measures on page 168.

The Group's business model offers clients a broad range of asset classes to suit their needs in differing market environments and as such benefits from a diversified revenue stream. The Group's revenues are largely ongoing in nature, as shown in the table above. The proportion of ongoing revenue has increased to 71% (2021: 62%) as the transactional stockbroking commission decreased significantly versus last year.

Ongoing revenue is primarily comprised of platform fees on funds and equities, Hargreaves Lansdown fund management fees, interest on client money and ongoing advisory fees. It increased by 6% to £414.1 million (2021: £390.5m) driven by higher revenues on funds from higher average AUA levels in the first half of the year.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This decreased by 30% to £168.9 million (2021: £240.5m) with a 32% decrease in client driven equity deal volumes being the driver of this revenue.

Operating Costs

As set out at the Capital Markets Day in February this year, we have embarked on an investment programme to support the strategic initiatives which will drive improved client experience, enable growth at scale without the need for ongoing commensurate increases in operating costs and expand our client proposition by evolving our Investment Solutions, Active Savings and Advice capabilities to meet the increasing needs of our current and future clients.

The investment programme drives incremental spend over this year and over the next three years through both investment cost and dual tech running costs, together Total Strategic Spend.

Operating costs

	Year ended 30 June 2022 £m	Year ended 30 June 2022 £m	Year ended 30 June 2022 £m	Year ended 30 June 2022 £m	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
		Total strategic spend				
	Underlying cost	Investment Cost	Dual Tech running costs	Total	Operating cost	Operating cost
Staff costs (including contractors)	144.2	6.3	5.0	11.3	155.5	119.8
Marketing and distribution costs	25.8	–	–	–	25.8	28.3
Depreciation and amortisation	16.1	–	–	–	16.1	16.2
Activity costs*	24.6	–	–	–	24.6	35.6
Technology costs*	28.7	–	1.0	1.0	29.7	22.8
Legal and professional costs	17.1	14.8	1.2	16.0	33.1	16.7
Other costs	16.1	–	–	–	16.1	12.7
Total costs (pre-FSCS)	272.6	21.1	7.2	28.3	300.9	252.1
Total FSCS levy	12.1	–	–	–	12.1	13.9
Total operating costs**	284.7	21.1	7.2	28.3	313.0	266.0

* Definitions are shown in the Glossary of alternative financial performance measures on page 168.
** Underlying costs excludes £28.3 million of strategic investment costs. See the Glossary of alternative performance measures on page 168 for the full definition. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures. They are used as the comparative reference points in the discussion on cost performance below.

Underlying costs increased by 7% to £284.7 million (2021: £266.0m) as we continued to support the growing client base and delivered an improved client service. The average number of clients across the period was 11% higher than in 2021.

The key driver of cost growth was staff costs, which rose by 20% to £144.2 million (2021: £119.8m). Average staff numbers, including contractors, increased by 15% from 1,839 in 2021 to 2,109 in 2022. The increase was predominantly within the service functions of helpdesk and operations as they support our growing client base, plus compliance and risk. Salary inflation had an impact of c3%.

Marketing and distribution costs fell by 9% to £25.8 million (2021: £28.3m). During the period we were more targeted with our client acquisition spend and we spent less on cash back transfer incentives having focused instead for the year on improving our transfer processes. As usual, marketing activity increased in the second half and through the tax year end, including the third year of our brand marketing campaign as 'Switch your money on'.

Relating to the underlying operations of the business, capitalised expenditure was £8.1 million (2021: £17.8m). The majority of this expenditure was for cyclical replacement of IT hardware, office equipment and the ongoing development of Active Savings. Depreciation and amortisation costs decreased by £0.1 million.

Activity based costs primarily include dealing related costs and debit card fees linked to cash paid onto the platform. Overall they fell by 31% to £24.6 million (2021: £35.6m) driven by a 27% reduction in share dealing volumes. →

Technology costs increased by 26% to £28.7 million (2021: £22.8m). This was driven by increased licence fees to support colleague numbers along with further spend incurred in providing our proposition.

Legal and professional fees were broadly flat at £17.1 million (2021: £16.7m) reflecting the cost of operating in a highly regulated environment.

Other costs increased £3.4 million to £16.1 million (2021: £12.7m). The key drivers of this were increased office running costs as we faced higher energy costs, increased insurance costs and travel expenses.

Total strategic spend to date primarily comprises staff (including contractor) costs and professional fees relating to the planning and commencement of the digital technology strategy and strategic growth initiatives along with associated compliance, infrastructure and support costs. In addition, in order to provide assurance for our clients as we go through our transformation, we will be parallel running new and legacy technology and therefore have incurred dual tech running costs. Overall the total strategic spend for the year was £32.9 million of which £28.3 million has been expensed in the year (£21.1m investment cost and £7.2m dual tech running costs) and £4.6 million has been capitalised and will be amortised and depreciated in accordance with our existing accounting policy.

Looking ahead to financial year 2023, our underlying costs have come in lower than guidance for FY22, which combined with the impact of wage inflation means we now expect to see growth of c9.5% to 11.5% in the year ahead which is lower in absolute terms than previously guided as we focus on managing spend. We expect our strategic investment spend to be c£65 to £75 million, catching up on the slightly slower start in FY22 of which c60% will be capitalised. The amortisation and depreciation costs relating to our strategic spend are included in the above cost guidance on underlying costs. In addition, we expect to incur c£20 million of dual running costs relating to the parallel running of technology systems in the next financial year.

It is anticipated that the strategic investment cost and dual tech running costs will continue until the financial year ending June 2026. In order to provide clarity of business performance, the Total Strategic Spend (comprising investment cost and dual tech running costs) will be added back to statutory profit before tax to form an underlying profit before tax measure.

The Financial Services Compensation Scheme (FSCS) levy decreased by £1.8 million to £12.1 million (2021: £13.9m) as the overall amount raised under the scheme this year was lowered. 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

Hargreaves Lansdown's success is built around delivering high service standards, efficiently dealing with ever growing volumes of business and investing in further growth opportunities. This investment is key to driving future growth and ensuring we have a scalable operating platform, which we believe will be to the benefit of both clients and shareholders across the market cycle. At our Capital Markets Day, we outlined the improvements to our client service and proposition, the improvements to our efficiency and the cost savings the strategic investment will deliver. This strategic investment has already begun and these costs incurred in the year are in addition to the business as usual or underlying costs of the business. The table below reconciles the underlying profit before tax to the statutory profit before tax. On an underlying basis, profit before tax fell by 19% to £297.5 million (2021: £366.0m). On a statutory basis profit before tax fell by 26% to £269.2 million (2021: £366.0m).

Tax

The effective tax rate for the period was 19.8% (2021: 19.1%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at **www.hl.co.uk**

Earnings per share

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Operating profit	270.0	365.6
Finance income	–	1.4
Finance costs	(0.8)	(1.0)
Profit before tax	269.2	366.0
Underlying profit before tax*	297.5	366.0
Tax	53.4	(69.7)
Profit after tax	215.8	296.3
Tax on underlying profit*	(59.0)	(69.7)
Underlying profit after tax*	238.5	296.3
Weighted average number of shares for the calculation of diluted EPS	474.5	474.5
Diluted EPS (pence per share)	45.6	62.5
Underlying diluted EPS (pence per share)*	50.4	62.5

* Underlying profit before tax, Tax on underlying profit before tax, Underlying profit after tax and Underlying diluted EPS for the period exclude strategic investment costs of £28.3 million. See the Glossary of alternative performance measures on page 168 for the full definitions. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures.

Diluted EPS decreased by 27% from 62.5 pence to 45.6 pence, in line with the Group's reduction in profits. The Group's basic EPS was 45.6 pence, compared with 62.6 pence in 2021. Underlying diluted EPS decreased by 19% from 62.5 pence to 50.4 pence. The Group's underlying basic EPS was 50.4 pence compared to 62.6 pence (see Glossary of alternative performance measures on page 168 for the full definition). →

Capital and liquidity management

Hargreaves Lansdown looks to create long-term value for shareholders by balancing delivery of profit growth, capital appreciation and an attractive dividend stream to shareholders with the need to invest in the business 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 aim 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 2022 was £508.0 million (2021: £503.5m). Despite this being the first year of our investment programme, cash generated from operations more than offset the payments of the 2021, final ordinary and special dividends and the 2022 interim dividend. This includes cash on longer-term deposit and is before funding the 2022 final dividend of £130 million.

The Group has a Revolving Credit Facility agreement with Barclays Bank to provide access to a further £75 million of liquidity. This is 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 manage the impact of 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, 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 2022 £m	30 June 2021 £m
Shareholder Funds	575	593
Less: goodwill, intangibles and other deductions	(41)	(37)
Tangible capital	534	556
Less: provision for dividend	(130)	(183)
Qualifying regulatory capital	404	373
Less: estimated capital requirement	(219)	(183)
Surplus capital	185	190

Total shareholders' equity, as at 30 June 2022, made up of share capital, share premium, retained earnings and other reserves decreased to £575.1 million (2021: £593.5m) given the reduction of profit for the year resulting from the commencement of the investment programme and the payment of the 2021 final and special dividends and the 2022 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £185 million.

HL plc has four subsidiary companies authorised and regulated by the FCA. The FCA's Investment Firm Prudential regime (IFPR) came into effect on 1st January 2022 focusing on the potential harm firms can pose to consumers and markets. HL completes this assessment through the Group Internal Capital Adequacy and Risk Assessment (ICARA) processes. Our assessment of HL's capital requirements takes account of the new regulatory requirements.

Consistent with the new IFPR requirements, HLAM specifically is required to disclose regulatory capital information; this will be available on the Group's website at **https://www.hl.co.uk/investor-relations**.

Dividend
Dividend (pence per share)

	2022	2021
Interim dividend paid	12.26p	11.90p
Final dividend declared	27.44p	26.60p
Total ordinary dividend	39.70p	38.50p
Special dividend	–	12.00p
Total dividend	39.70p	50.50p

As announced in February this year, the Group will be undertaking an estimated £175 million of strategic investment cost to deliver future growth and operational efficiencies. In part, the funding for this investment will come from the suspension of any special dividends through FY22 and FY23. The Board, however, is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and hence has committed that the ordinary dividend will grow by at least 3% throughout the period to FY24.

The Board has declared an increase in the total ordinary dividend of 3% taking the ordinary dividend per share to 39.70 pence (2021: 8.50 pence per share of ordinary dividend and 12.0 pence per share of special dividend). The ordinary dividend is made up of an interim dividend of 12.26 pence per share that was paid on 1 April 2022 (2021: 11.90 pence per share) and a final ordinary dividend of 27.44 pence per share (2021: 26.60 pence per share). Subject to shareholder approval of the final ordinary dividend at the 2022 AGM, the final dividend will be paid on 24 October 2022 to all shareholders on the register at the close of business on 23 September 2022.

Amy Stirling
Chief Financial Officer

4 August 2022

EVALUATING AND MANAGING RISKS

Our risk management framework enables a consistent approach to the identification, mitigation and management of risks, which is essential to achieve our strategic objectives.

1. Risk management

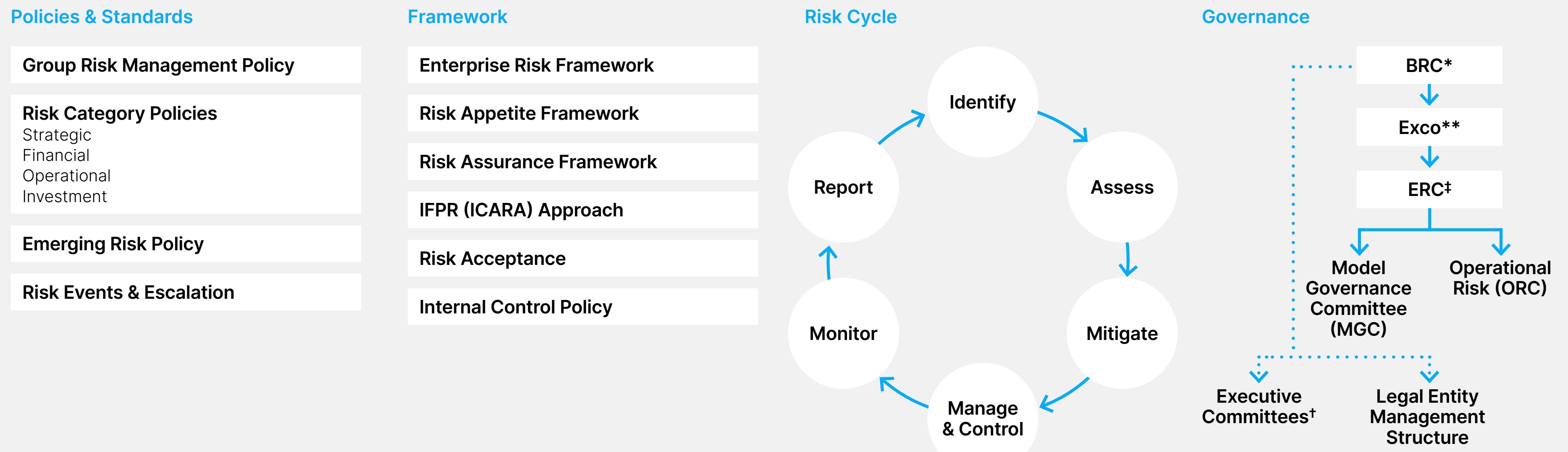
The Group aims for effective and proactive risk management integrated into the culture of the Group.

The Board has ultimate responsibility for ensuring the Group deploys effective risk management. The Board determines and oversees the Group's risk appetite including setting and monitoring appropriate tolerance levels within which the Group must operate.

To assist the Board in discharging its responsibilities, the Group has implemented a comprehensive risk management framework to support identification, mitigation and management of risk exposures which is further described below.

The Group's Risk Management Framework (see figure 1) applies at both Group and Legal entity levels and has been in place throughout the period under review and up to the date of →

Figure 1: Enterprise Risk Management Model



* plc Board Risk Committee ** Executive Committee ‡ Executive Risk Committee † e.g. Treasury & Product Governance Committees

approval of the Report and Financial Statements and is in line with the UK Corporate Governance Code. The Group regularly reviews the risk framework, risk capabilities and tools to ensure effective ongoing risk management.

Key enhancements made during the period include a refreshed Risk Taxonomy and structure, build out of key risk specialisms including Change and Technology risk and development of a Strategic Risk Appetite Framework to support risk profile analysis and support risk reporting.

The Group established formal projects overseen by the Board to deliver the enhanced operational resilience requirements and the new IFPR regulation for January 2022. The initial ICARA was reported to the Board Risk Committee in April 2022.

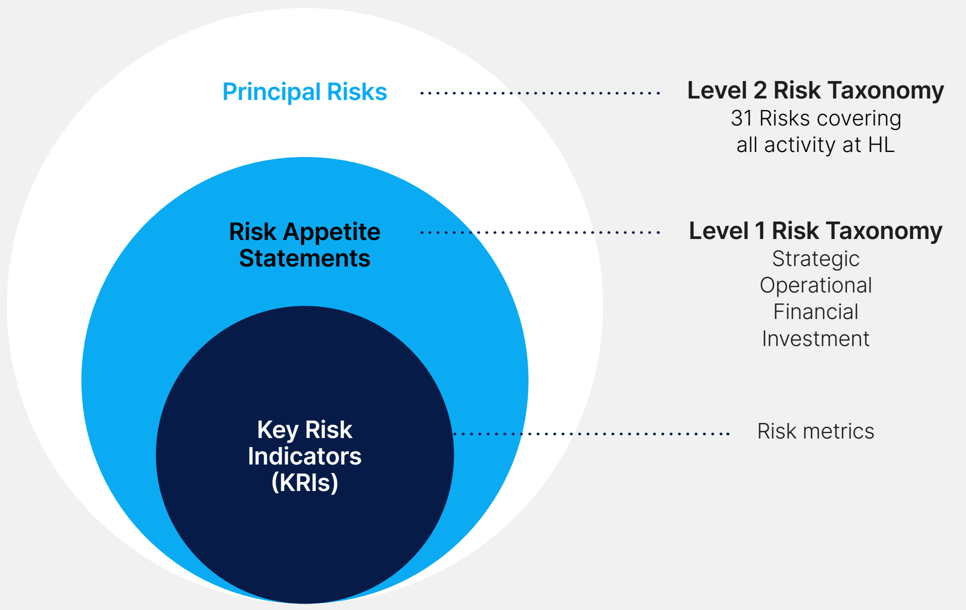
Governance of the risk and control framework

The Group includes four principal operating legal entities, each of which is supported by a Legal Entity Board and a Management Committee. This Legal Entity structure manages risk using the Group Risk Framework within agreed risk appetite levels, with escalation on an agreed materiality basis to the Group Executive Committee.

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 Management and Board committees as well as the Group Risk and Compliance functions. The Board is responsible for overseeing the Audit, Risk, Remuneration and Nomination Committees. Risk reporting from both first and second lines of defence support these committees in the oversight and management of risk.

Figure 2: Risk Appetite



A risk policy suite is in place aligned to the Risk management framework, 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 Board, the Board Risk Committee, the Executive Committee, and the Executive Risk Committee.

During the period, the governance structure has further evolved, with the formation of an Operational Risk Committee and a Conduct & Client Outcomes Committee reflecting the continued growth of the business. Detail of the governance structure is included in the Corporate Governance section of the report.

The activities of the Board and Executive Committees are detailed in the Corporate Governance report on pages 66-73.

Key risk management framework components

Risk Taxonomy

The Group has an agreed and documented risk taxonomy, which sets out the risk categories to which the business is exposed. The risk taxonomy ensures that there is completeness in the capture of risks, facilitates effective aggregation of risk across the broader group as well as ensuring that there is consistency of treatment across all risk categories.

The broader risk management framework is aligned to this taxonomy which is reviewed regularly and forms the key mechanism to support Management and Board oversight of risk exposures.

Risk Specialists

During the period the Group has continued to build capabilities to enhance risk management.

In the First Line of Defence a new Chief Control Officer role has been created to develop and lead a dedicated team of risk specialists in the business. The Second Line of Defence has also been strengthened with greater capacity including further capability in specialist areas e.g., Technology, Digital and Change risk, Investment Risk and Conduct. →

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 and strategy.

The risk appetite statements combine qualitative statements and quantitative measures, or thresholds expressed relative to metrics such as operational performance, capital, and liquidity.

The Group's risk appetite and its components are reviewed on at least an annual basis. A particular focus during the period has been the review of appetite and associated KRIs linked to corporate strategy.

The Board has overall responsibility for determining the nature and extent of the acceptable levels of risk it is willing to accept in the course of achieving business objectives and strategy, achieving positive client outcomes, and ensuring that risks are managed effectively across the Group. The categories include strategic, operational, financial and investment risk.

The Board sets the Group's risk appetite and measures across the four Level One risk categories, with KRIs monitored against each. All KRIs include materiality thresholds for escalation and reporting.

Risk reporting

The Second Line of Defence provides risk and control reporting to committees, Legal Entity Boards and Executive committees. The standard format is a GCRO Report covering trends, the Principal Risk profile, risk appetite, material risk events and emerging risks.

Three Lines of Defence Model

Hargreaves Lansdown runs a Three Lines of Defence Model. The First Line of Defence own and are accountable for the management of risk. There are also embedded specialist teams in the first line to support 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.
- A dedicated IT Security team, which manages, tests, and controls the cyber control environment.
- A Product Governance team – provides oversight of the design, target markets and management of our core client propositions.
- The new Chief Control Officer team provides guidance, consistency, and control expertise.

The Second Line of Defence is responsible for the delivery of risk and control frameworks and policies as well as the provision of assurance to Management that first line risk management practices are appropriately embedded. In the Second Line of Defence, the Group Risk and Compliance functions include teams focused on regulatory compliance monitoring, prevention of money laundering, prevention and detection of fraud and oversight of data protection, Operational, Technology, Change, Conduct, and Investment risks.

Individual capital adequacy assessment process

The Group transitioned from the ICAAP to the ICARA in Q1 2022. The primary purpose of the ICARA is to ensure that there is a clear, accurate and transparent link between the risk profile of the business and the capital and liquidity held by the firm. The final approval of the HL ICAAP was in December 2021 and the initial ICARA was included in reporting in April 2022. The ICARA is overseen by the Board Risk Committee

Response to the Russian invasion of Ukraine

Following the invasion of Ukraine, the Executive Committee established a governance structure to manage the Group's response. Particular areas of concern were increased cyber risk, market fluctuations, Russian and Belarussian funds, and clients and HL's offices and colleagues in Poland.

A working group and Steering Committee were established with escalation to the Executive Committee. During the period, desktop scenarios were run, existing stress tests and scenarios were reviewed and further stressed, with findings linked to the Important Business Services (IBS) part of the Group operational resilience model and the ICARA.

The Working Group and Steering Committee included membership from the Executive Committee and the wider Leadership Group, including the Head of Operational Resilience, and the CRO. →

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, operational, financial and investment in accordance with our risk management framework.

Management and the Board regularly discuss emerging risks. Topics discussed during the period included communications from the regulator, third party services and solutions, operational resiliency, cybercrime, and the COVID-19 pandemic.

Assessment process for the viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the four-year period to June 2026 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 Russian invasion of Ukraine, the increase in inflation and the associated cost of living crisis, is having on the UK and global economy. From an HL perspective, planning and scenario testing has examined the company's resilience to worst case scenarios with a range of testing over three potential future outcomes, each looking at different sensitivities such as interest rates, market levels and stockbroking volumes. The worst outcome saw a 17% fall in the Group's profit after tax over the four-year period to June 2026. 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 four 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 ICARA 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 an 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 and aligned to the core risk exposures of the Group; strategic, operational, financial and investment 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 2021-2022 changes, consideration was given to the impact of COVID-19 and the Russian invasion of the Ukraine 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 third party services and solutions, operational resiliency, cybercrime, invasion of the Ukraine and communications from the regulator.

In assessing all risks, HL considers the reputational impacts of risks materialising and the impacts on HL clients, of negative publicity, and risks to the achievement of business objectives. To mitigate potential reputational impacts HL ensures risk exposures and potential impacts are appropriately and proactively escalated through key risk governance. To support potential media attention, HL has a PR function, makes use of external advisers, and has an Internal Corporate Affairs Group to support the Executive Committee. →

Taxonomy Level 1 Strategic

Taxonomy Level 2 Strategy

Owner:
Chief Executive Officer

Link to strategy:

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

2021-2022 Change

STABLE ▶

Risk
Risk that HL does not align propositions and activity with HL's strategic objectives.

Potential impact
- Erosion of shareholder value
- Negative impact on our reputation as an innovative market leader
- Negative impact on existing clients in HL's ability to maintain premium client service

Mitigation and controls
- The Executive team and Board review strategy in the context of propositional design and service enhancement on a regular basis
- Dedicated proposition/client experience team is in place
- Product governance process embedded including use of client focus groups
- Regular client experience reviews by the Executive
- Clear objectives aligned to Executive owners and a supporting operating plan in place

Key risk indicators
- NNB v forecast
- Net Ease Scores
- Client retention
- Service rating
- Complaints
- Risk events

2021/22 activity
- Agreed a 5-year growth strategy
- Launched the new HL Growth fund (Default Fund for Workplace clients)
- Launched Savings and Resilience Barometer as part of 5 to Thrive client offering

Taxonomy Level 1 Strategic

Taxonomy Level 2 Performance of markets

Owner:
Chief Financial Officer

Link to strategy:

Link to HL values:
N/A

2021-2022 Change

INCREASING ▲

Risk
Risk that HL revenue is adversely affected by market levels impacting strategic expectations, resulting in erosion of shareholder value.

Potential impact
- Reduced AUA and AUM and corresponding negative impact on revenues

Mitigation and controls
- Diversified revenue streams balanced between recurring and transaction-based
- Monitoring and maintenance of client service
- Executive Committee, Treasury Committee and Finance Reporting
- Liquidity policy and associated controls oversight

Key risk indicators
- Interest rates
- FTSE 100
- Daily management information
- Client metrics (net, new and retention)

2021/22 activity
- Marketing Campaigns
- Prioritisation for internal investment on service, technology and risk
- Ongoing discussion in the Executive Committee

Taxonomy Level 1 Operational

Taxonomy Level 2 IT Operational Environment

Owner:
Chief Digital & Information Officer

Link to strategy:

Link to HL values:
Do the right thing, make it easy

2021-2022 Change

STABLE

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

Potential impact
- Inability to maintain operational efficiency resulting in 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
- 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

2021/22 activity
- Delivery of a full End-to-End IT Testing platform
- Platform security improvements
- Refresh of technology strategy

Taxonomy Level 1 Operational

Taxonomy Level 2 Operational delivery core

Owner:
Chief Operating Officer

Link to strategy:

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

2021-2022 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
- Training and development
- Operational MI
- Control focus at key governance forums, including CASS Committee, Executive Risk Committee and Board
- Risk Committee

Key risk indicators
- Risk events and Compliance breach monitoring
- Regulatory scrutiny or issues
- Third party breaches
- Complaints
- Helpdesk call quality
- Colleague retention rates
- Operational processing and transactional error rates

2021/22 activity
- New trading component, with enhanced scalability and speed
- New payments partner – Stripe
- Enhancements to our transfers processes

Taxonomy Level 1 Operational — Taxonomy Level 2 Regulatory Compliance

Owner:
Executive Committee

Link to strategy:

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

2021-2022 Change

INCREASING ▲

Risk
Risk that HL fails to comply with regulatory and legal standards and/or required regulatory change is not implemented to regulatory expectations or requirements.

Potential impact
- Regulatory breaches
- Increased regulatory scrutiny, enforcement action, censure, or fines
- Increased complaints or claims brought by clients
- Where client complaints are not upheld – complaints to the Financial Ombudsman Service and FOS awards
- Litigation
- Reputational impact
- Missed opportunities to achieve competitive advantage

Mitigation and controls
- Compliance-led Horizon scanning and monitoring
- Change Committee oversight
- Compliance Plan, including complaint handling plans
- Ongoing open dialogue with the FCA

Key risk indicators
- Volume of client complaints, FOS complaints and awards
- Volume of new outputs from regulatory bodies
- Number of regulatory change projects
- Number of regulatory breaches
- Litigation

2021/22 activity
- CASS Improvement Plan
- Investments Firms Prudential Regime (PS21/6)
- Operational Resilience (PS21/3)
- Consumer Duty (CP21/13)

Taxonomy Level 1 Operational — Taxonomy Level 2 Financial Crime

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

2021-2022 Change

DECREASING ▼

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 by either internal or external parties.

Potential impact
- Loss of sensitive 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 Commissioner's Office (ICO) notifiable data protection breaches

2021/22 activity
- Appointment of a new Group Head of Financial Crime (MLRO)
- Creation of a First Line Financial Crime team reporting to the new Chief Controls Officer
- A programme of training and awareness for all colleagues
- Continuous cycle of cyber control improvements

Taxonomy Level 1 Operational — Taxonomy Level 2 Data

Owner:
Chief Digital and Information 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

2021-2022 Change

INCREASING ▲

Risk
Risk that HL fails to design or implement appropriate frameworks, including policies, processes, or technology, to manage data and data storage.

Potential impact
- Loss of sensitive data
- Poor client outcomes (including fraud)
- Inefficient processing
- Regulatory censure

Mitigation and controls
- Dedicated Chief Information Security Officer, Chief Data Officer and Data Protection Officer in place
- Data Governance function
- Data storage standards
- Data usage standards

Key risk indicators
- Data related Risk Events
- Data reporting issues
- Data Privacy Impact Assessment completions
- Cyber events
- Fraud events

2021/22 activity
- Appointment of a Chief Data Officer
- Established data strategy and defining architecture to support objectives
- Established a programme of work to deliver the Group's data insight capabilities
- Alignment of data and digital capabilities to support the Group's future requirements

Taxonomy Level 1 Operational — Taxonomy Level 2 Duties to Clients

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

2021-2022 Change

INCREASING ▲

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

Potential impact
- Poor client outcomes
- Negative reputational impact
- Regulatory censure and fines
- FOS complaints and awards
- Litigation
- Erosion of shareholder value
- Negative impact on achievement of AUA and client number strategic targets

Mitigation and controls
- Colleague Communication and Training
- Conduct Risk policy
- Vulnerable Client policy
- Risk and incident monitoring and review
- Product Governance Committee
- Corporate and social responsibility programme
- Business-led diversity, inclusion, and well-being programme of activity
- Colleague Performance Development model
- Whistleblowing process
- Conflict Management

Key risk indicators
- Glassdoor rating
- Colleague surveys
- Colleague retention
- Client survey results
- Litigation
- Volume of client complaints
- FOS complaints and awards
- Clients cancelling a new product or service

2021/22 activity
- Established a project to deliver compliance with the Consumer Duty regulations (CP21/13)
- Strengthening Vulnerable Clients strategy as part of the Consumer Duty implementation
- Developed governance arrangements, including Conduct & Client Outcomes Committee

Taxonomy Level 1 Operational

Taxonomy Level 2 Operational Resilience

Owner:
Chief Operating Officer

Link to strategy:

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

Risk
Risk that HL fails to establish robust operational resilience solutions to support positive client outcomes.

Potential impact
- Poor client outcomes
- Policy or regulatory breaches
- Operational inefficiencies or failures
- Reputational damage

Mitigation and controls
- Dedicated Operational Resiliency team and programme
- Business Impact Analysis
- Business Continuity Plans
- Disaster Recovery Plans
- Crisis Management Team
- Desktop scenarios
- Scenario based playbooks

Key risk indicators
- System downtime
- Process failures
- Crisis management response

2021/22 activity
- Review of Importance Business Services
- Delivery of a full End-to-End IT testing platform
- Review and enhancements to crisis management and Incident management approaches

2021-2022 Change

STABLE ▶

Taxonomy Level 1 Operational

Taxonomy Level 2 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

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
- Effective performance and Talent Management of all employees with flight risk assessments
- Regular review of employee reward offering to ensure competitive
- Regular staff surveys and employee forums to understand morale
- People agenda monitored at ExCo and Board.

Key risk indicators
- Colleague retention rates
- Colleague absence monitoring

2021/22 activity
- 'Breathing Space' payment for junior colleagues to help with cost of living
- Improvements in 'Health & Well-being' support to all colleagues
- People communications through HL Way to support HL Values

2021-2022 Change

INCREASING ▲

GOVERNANCE

SUPPORTING LONG-TERM SUCCESS

"The role of the Board is to set the tone from the top on the Group's governance, culture and values.

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.

We apply and report under the 2018 UK Corporate Governance Code (the Code). 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.

Culture

Our culture underpins our approach to governance and risk management. The Board promotes a culture that encourages good governance, effective decision making and appropriate risk management and, this year, has continued to support initiatives to develop and embed the "HL Way" within the organisation. Maintaining and strengthening our culture, which promotes accountability and clarity on responsibilities and ensures that we can focus on making the right decisions, at the right level, with the right information, is a key priority for the Board and essential to the successful delivery our strategy. You can find out more information on this on page 16 of the Strategic Report.

Board changes

Since the last Report, the Board welcomed two new Directors: Penny James joined on 1 September 2021 as a new independent Non-Executive Director and Senior Independent Director; and Amy Stirling joined on 21 February 2022 as Chief Financial Officer and Executive Director, replacing Philip Johnson who stepped down as CFO on 31 January 2022. On 17 June 2022, the Company was pleased to announce the appointment of Darren Pope as an independent Non-Executive Director with effect from 1 September 2022.

When deciding on these appointments the Board was able to benefit from the considerable work done by the Nomination Committee to identify: the skills and experience required by the Board to deliver the strategy; and the areas where the Board could benefit from additional depth of skills or experience to improve its resilience.

You can find more information about their appointment and the skills and experience they bring in the Nomination Committee Report on page 110.

Diversity and Inclusion

It is widely accepted that greater diversity within a business drives better decision-making and we strongly believe that building a diverse and inclusive workforce will lead to better outcomes for clients, colleagues and our business.

You can read more about our approach to building diversity and inclusion across our workforce and the initiatives that support it on pages 26 to 30 of the Strategic Report.

The Board recently updated the Group's diversity policy for Board appointments to align with new targets set out in the Listing Rules and is proud to have met those targets. As at 30 June 2022, fifty percent of our Board is made up of women; three of our four senior Board positions are held by women and we have at least one Director from an ethnic minority background.

You can read more about the policy and the importance we place on diversity in the recruitment of Non-Executive Directors and across the organisation on pages 107 to 110 of the Nomination Committee Report. →

Board Evaluation

Each year, the Board undertakes a formal evaluation of its performance, and that of its Committees and the Directors, covering topics such as composition, diversity and how effectively the Directors work together to achieve objectives.

In August 2021, we carried out an externally facilitated Board evaluation, supported by Independent Audit, which recognised much positive change since the last review and identified a number of key priorities and outcomes, including further strengthening the senior management team and continued oversight of the development of the Risk function.

The Nomination Committee has overseen implementation of the recommendations from the review and more information on this is provided on page 109 of the Nomination Committee Report.

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.

We value and appreciate the input of our colleagues and ensure that we regularly 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.

We spend time nurturing a strong relationship with our shareholders. We regularly meet with shareholders and Adrian Collins, a representative of one of our founder shareholders, has been a member of the Board since November 2020.

We are conscious of our impact on the wider community and take time to ensure that we are considering the environment and giving back to the community we work in. This year we launched our Savings and Resilience Barometer to help our clients and the wider community better understand the importance of financial resilience. We are very proud of our relationship with Bristol City Council and our aim of making Bristol the most financially resilient city in the UK.

Our relationship with the FCA as our regulator is of fundamental importance to us and we maintain an open, constructive dialogue with them to ensure that we are aware of and meet the standards that they expect.

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 118 to 121.

Deanna Oppenheimer
Chair

4 August 2022

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 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.

Chair

Appointed to the Board
February 2018, independent on appointment

Skills and experience
Deanna has extensive board level governance and leadership experience in both public and private financial services businesses 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. As a non-executive director, Deanna formerly served as a director for Tesco plc, Whitbread plc, AXA Group, Tesco Bank and NCR Corporation. Deanna is a member of the 30% Club.

Committee membership
Nomination Committee (Chair)
Remuneration Committee

Other current appointments
Director of Thomson Reuters Corporation,
Chair designate of IHG plc.

Executive Directors

Appointed to the Board
Chief Executive Officer since April 2017

(Chief Financial Officer from February 2016 to September 2016, Deputy Chief Executive Officer from October 2016 to April 2017)

Skills and experience
Chris has led the Company since 2017, driving the digital transformation of the Group's business, including the strategy to expand HL's position as the UK's leading digital wealth management platform and ensuring HL is at the heart of creating greater engagement with saving and investing in the UK. Chris came to HL with more than two decades of experience, across a range of business sectors. He was previously Chief Financial Officer at IG Group Holdings plc, a FTSE 250 online trading platform for retail customers, and Chief Financial Officer at Travelex following a number of finance leadership roles at GE Capital. Chris qualified as a chartered accountant at Arthur Andersen and is an associate member of the Association of Corporate Treasurers.

Committee membership
None

Other current appointments
Member of the FCA Practitioner Panel

Board member of the Investment Association

Appointed to the Board
February 2022

Skills and experience
Amy has significant financial and strategic leadership experience in client facing businesses across the telecommunications and financial services sectors. She has considerable transformation and M&A experience at both executive and non-executive level and is a qualified chartered accountant. Amy was previously Chief Financial Officer of the Virgin Group and other previous appointments include non-executive director and chair of the Audit Committee at RIT Capital Partners plc, non-executive director at Virgin Money UK plc, Chief Financial Officer of The Princes Trust and Chief Financial Officer at TalkTalk Telecom Group Plc.

Committee membership
None

Other current appointments
None

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, Electra Private Equity plc and TPICAP plc. Roger chaired or served on the Audit and Risk Committees of each of these and additionally was Senior Independent Director of Nationwide Building Society.

Committee membership
Audit Committee (Chair)
Risk Committee
Nomination Committee

Other current appointments
Non-Executive Director and Chair of the Audit Committee of AIB Group (UK) 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 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
CEO of Dunnhumby 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
Audit Committee
Remuneration Committee

Other current appointments
Independent Non-Executive Director of Hargreaves Lansdown Fund Managers Ltd

Andrea Blance
Independent Non-Executive Director

Appointed to the Board
September 2020

Skills and experience
Andrea is a Chartered Accountant and brings extensive Board and financial services experience having spent her executive career at Legal & General Group plc where she was a member of the Group Executive Committee and held a diverse range of senior leadership roles including finance, risk and regulation, marketing and strategy. Andrea's past non-executive roles include Risk Committee Chair at Scottish Widows plc and Lloyds Banking Group Insurance Division, Senior Independent Director and Audit Committee Chair at ReAssure Group plc and a member of William & Glyn's pre-IPO board.

Committee membership
Risk Committee (Chair)
Audit Committee
Nomination Committee

Other current appointments
Senior Independent Director and Chair of the Remuneration Committee of Provident Financial Group plc

Non-Executive Director at Aviva plc

Non-Executive Directors

Moni Mannings
Independent Non-Executive Director

Appointed to the Board
September 2020

Skills and experience
Moni is a qualified solicitor with a strong background in international banking and finance and was a Senior Partner and Board member of law firm Olswang LLP. She has held a number of non-executive positions including as a Board member of Dairy Crest Group plc, Polypipe Group plc, the Solicitors Regulation Authority (chairing its Equality, Diversity and Inclusion Committee), Cranfield University and Deputy Chair of Barnardo's.

Committee membership
Remuneration Committee (Chair)
Nomination Committee
Risk Committee

Other current appointments
Senior Independent Director and Chair of the Remuneration Committee of Investec Bank plc

Non-Executive Director of easyJet plc

Non-Executive Director and Remuneration Committee Chair of Cazoo Group Ltd

Adrian Collins
Non-Independent Non-Executive Director

Appointed to the Board
November 2020

Skills and experience
Adrian has worked in the fund management business for over 45 years, most recently at Liontrust Asset Management where he served as Executive Chairman from 2009 to 2019. During this period, Adrian oversaw a transformation in the business, broadening its investment and distribution capabilities and undertaking numerous acquisitions. Adrian has extensive experience across fund management and adjacent sectors having held senior roles at Gartmore, where he was Managing Director, Trustnet (which he co-founded), Jupiter, Bestinvest and Lazard Investors. He is an experienced non-executive director.

Adrian has been appointed to the Board as a shareholder representative and as such is not deemed to be independent.

Committee membership
None

Other current appointments
Chairman of Logistics Development Group plc (formerly Eddie Stobart Logistics plc)

Chairman of CIP Merchant Capital Ltd

Senior Independent Director

Penny James
Senior Independent Director

Appointed to the Board
September 2021

Skills and experience
Penny brings extensive financial services experience with strong leadership skills, financial and risk expertise, strategic thinking and cultural alignment. Since May 2019 Penny has been the Chief Executive Officer of Direct Line Insurance Group plc, having joined in November 2017 as Chief Financial Officer. Penny previously held a number of roles at Prudential plc including Group Chief Risk Officer and Director of Group Finance. Prior to this Penny was Group CFO at Omega Insurance Holdings Limited and CFO, UK General Insurance, at Zurich Financial Services. She was previously a non-executive director of Admiral Group plc from 2015 to 2017.

Committee membership
Nomination Committee
Risk Committee

Other current appointments
CEO of the Direct Line Group plc

Chair of the FCA Practitioner Panel

Co-Chair of FTSE Women Leaders Review

Board member of the Association of British Insurers

SAFEGUARDING FUTURE SUCCESS

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 pages 4 and 12 to 17 of the Strategic Report and in the Group's Section 172 Statement on pages 118 to 121. Through specific dashboards aligned to the key focus areas of our strategy, the Board can monitor and review progress against targets. These dashboards are used throughout the Group, ensuring alignment on execution and targets.

Additionally, 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, is set out on pages 51 to 59 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. The Board has been involved in a number of ongoing key initiatives including the further development and evolution of the HL Way (for information on the HL Way please see page 27), more accessible and effective communication of the Group's strategy and vision to create a clearer sense of purpose and common goals and improvements to the KPIs used to oversee culture.

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 3 and 29 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 24 to 25 of the Strategic Report, and information on how stakeholder interests have been considered by the Board can be found in the Group's Section 172 Statement on pages 118 to 121.

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 other meetings throughout the year, both one-on-one and in groups at investor conferences.

The Chair also meets or speaks with the Company's major shareholders throughout the year, including attending a series of governance roadshows, and the Senior Independent Director, Head of Investor Relations and Group Company Secretary are available to major shareholders who wish to raise questions. 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. Following the appointment of Adrian Collins as the Nominated Director, the Board also benefits from having someone able to represent a founder shareholder, Peter Hargreaves, on all issues considered by the Board.

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 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. Further details will be set out in the Notice of AGM that will be circulated ahead of the meeting. →

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 page 29 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. Further insight is obtained on colleague views through the Group's annual colleague survey, and half yearly pulse surveys. The views of colleagues have been sought on a more regular basis via additional pulse surveys and focus groups so that we can quickly respond to colleague sentiment and obtain colleague insights on particular topics.

Further information on how the Group engages with and considers the views of colleagues can be found on page 25 of the Strategic Report and in the Section 172 Statement on pages 118 to 121.

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 77 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.

There is a Conflicts Committee reporting into the CEO which is responsible for ensuring there is appropriate governance and ownership around enhancements to the conflicts management framework within the Group (other than the Company and its Committees). In addition, conflict management is enhanced through the separation of investment decisions and broad membership of investment related oversight committees including external members as appropriate. Since our last Report, additional training resources to assist employees in understanding their role in the management of conflicts have been launched, with online training to be delivered over the Summer; documentation, ownership and accountability for conflicts has been improved; and the conflicts register and process for declaring conflicts updated.

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 68. The detailed responsibilities of the Board's Nomination, Audit, Risk and Remuneration Committees, along with an overview of how they have discharged those responsibilities during the year, can be found in the Committee reports on pages 74 to 113. 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. The Chief Executive Officer also receives reports from the Conflicts Committee about improving 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, its employees and clients.

Details of the roles and responsibilities of the participants in the Company's governance framework can be found on pages 69 and 70. →

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/ICARA

Chief Executive Officer

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

Conflicts Committee

- Oversees the Group's conflicts of interest policy and framework
- Reviews conflicts of interest within the Group, the sufficiency of mitigating measures and determines appropriate action where material conflicts arise

Group Executive Committee

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

Group Management Committees

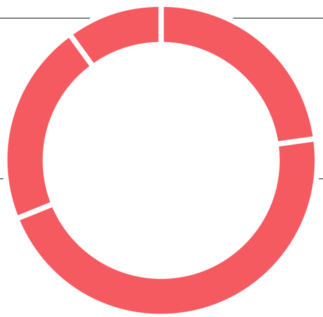
- Support the Group Executive Committee in its oversight of matters including: Risk, Conduct and Client Outcomes, Product Governance, Remuneration and Operational Resilience

The Group's principal operating subsidiaries carry out its business of providing regulated financial products and services. The boards of the principal operating subsidiaries include 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 Group level and subsidiary level management committees constituted to assist in the day-to-day management of the business.

Board allocation of time and key Board activities

The Board devoted a significant amount of time during the period under review to developing the revised Group Strategy which was launched at our Capital Markets Day on 22 February 2022. The Board was fully engaged in this process providing input and challenge throughout the development of the Strategy and more recently in its move to execution. The Board also spent time overseeing the Group's ongoing business performance including regular updates from the Chief Executive Officer and other members of the Group Executive Committee with deep dives into areas of strategic importance, and the review and approval of the Group's annual operating plan. The Board has continued to receive periodic reports relating to events arising out of the suspension of, and subsequent decision by Link Asset Services to wind up, the LF Equity Income Fund (formerly Woodford Equity Income Fund).

The following chart illustrates the time spent by the Board on matters within the categories stated.



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 return to office, ESG, operational resilience, the HL Way and cyber security – taking into account the Russian invasion of Ukraine;
- 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 2021 ICAAP;
- Approval of the Group's operating plan;
- Maintaining oversight of the Group's risk management framework, its operational resilience and approval of its risk appetite statement;
- Monitoring the status of the Group's reputation;
- Approval of updates to the Group's key policies, including conflicts of interest, whistleblowing 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 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 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 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 Non-Executive Directors in carrying out the Chair's annual performance review. This includes meeting with and obtaining appropriate feedback from the Non-Executive Directors 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 functioning well;
- 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 Nominated Director is an appointee of a shareholder. However, all the Non-Executive Directors are 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 independent 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 required to enable the Board to function effectively and efficiently, and for ensuring the Board has the information, time and resources it needs.

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. During the period under review, the Board appointed Claire Chapman as Group Company Secretary.

Meetings, attendance and information provided to the Board

Member	Attended (excluding ad-hocs)
Deanna Oppenheimer	8 of 8
Chris Hill	8 of 8
Philip Johnson (resigned 31 Jan 2022)	5 of 5
Dan Olley	8 of 8
Roger Perkin	8 of 8
John Troiano	8 of 8
Moni Mannings	8 of 8
Andrea Blance	8 of 8
Adrian Collins	8 of 8
Penny James (appointed 1 Sept 2021)	7 of 7
Amy Stirling (appointed 21 Feb 2022)	3 of 3

Board meeting attendance shown for all scheduled Board meetings during the year noting that on occasion ad-hoc meetings also took place to deal with timely matters.

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. Directors are expected to attend all meetings. However, when a Director is unavoidably unable to attend all or part of a meeting, he or she is able to 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. These sessions have been held via a mixture or remote, hybrid and face to face meetings to make best use of time and work efficiently.

The Board also met with members of the Group Executive Committee and other senior management, including an in person Strategy Day to develop and refine Group Strategy. There have also been a number of 'drop in' sessions during the year for the Board with members of the Group Executive Committee covering items including: ICARA; FCA's Consumer Duty; and a range of subjects contributing to HL's Strategy including: technology; service, advice and 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 Andrea Blance, Moni Mannings, Penny James, Dan Olley, Roger Perkin, Darren Pope and John Troiano are independent. In each case when assessed against the criteria set out in the Code. Adrian Collins is not considered independent because he is appointed by a major shareholder. 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 page 110. Neither of the Executive Directors currently holds any significant external appointments.

During the year it was announced that Deanna Oppenheimer would join IHG plc as Chair elect from 1 June 2022. In respect of Deanna's appointment, the HL Board considered, as it does when any Board member takes on a new role, the impact this appointment could have on her ability to continue her significant contribution to HL as Chair. Additionally, the Board took into account the views that major shareholders have generally expressed as part of their ongoing stewardship obligations, and recognised the observations made by some that time commitments must allow for the flexibility for a Non-Executive Director to have capacity for both planned and for unforeseen events.

Having carried out the review, the Board is satisfied that Deanna's new appointment does not have any impact on her ability to continue as HL Chair. The Board is satisfied that there is no conflict given the sector IHG plc operates in and, in the last 24 months, Deanna has freed up her time by stepping down as NED at both Whitbread plc, where she had also served as Remuneration Committee Chair, and Tesco plc. At Tesco plc she had served as both the SID and Remuneration Committee chair and also sat on the Tesco Bank Board. Deanna's ability to take up the IHG plc role and to continue as HL's Chair was made possible by her reduced time commitments overall.

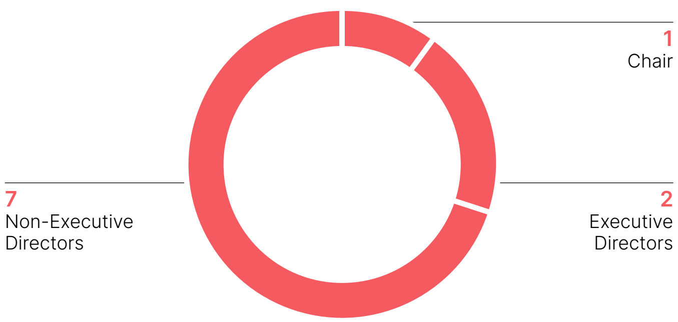
Composition, succession and evaluation

Board composition, balance and diversity

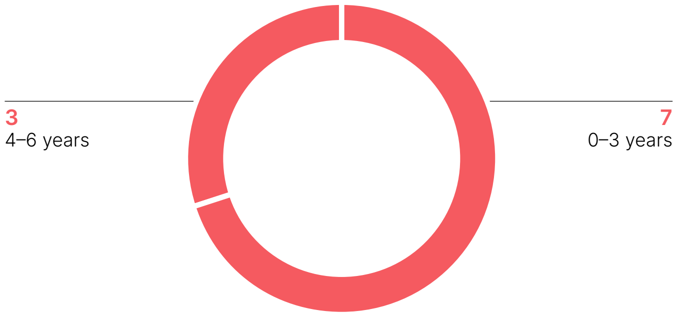
The Nomination Committee regularly reviews the size, structure and composition of the Board and its Committees to ensure an appropriate and diverse mix of skills, experience, knowledge, backgrounds and personal strengths. The Non-Executive Directors have strong and relevant experience across all aspects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

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 107 to 110. →

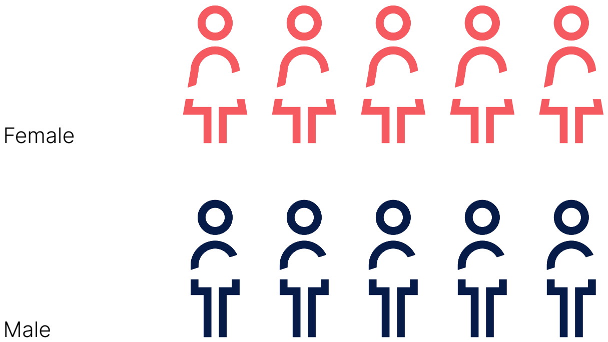
Board composition



Length of tenure



Board diversity



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.

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.

Director election and re-election

In accordance with the requirements of the Code and the Company's Articles of Association, all Directors 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 107 to 110. 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 107 to 110.

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.

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 Group 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 a training session for the Board on the FCA's Consumer Duty and the ICARA and support for the Board's Committees in discussions on relevant topics such as: developments in audit best practice; and the impact of the Investment Firm Prudential Regime. 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. The Board carried out deep dive sessions on return to office, ESG, operational resilience, the HL Way and cyber security – taking into account the Russian invasion of Ukraine, and held a number of workshops on a range of subjects contributing to the strategy including: technology, services, advice and growth.

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. →

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;
- Continuing enhancements to the Group's Risk Management Framework including robust risk identification, assessment and management;
- 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 74 to 78. 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 117 of the Directors' Report and the Statement of Directors' Responsibilities on page 122 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 51 to 59 of the Strategic Report.

A description of the main features of the Group's risk management and internal control systems, including the 'three lines of defence model', can be found on pages 51 to 59 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 77 of the Audit Committee report and page 112 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. The Board continues to encourage the enhancement of the Group's risk maturity, aligned to the Group's scale and complexity as it continues to grow and implement the new strategy. Further information of the enhancements planned can be found on page 113 of the Risk Committee report.

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 a summary of the current Directors' Remuneration Policy, can be found on pages 79 to 106.

ENSURING THE CONTINUED INTEGRITY OF THE GROUP

Attendance at Committee meetings during the year to 30 June 2022

Member	Position	Eligible meetings	Attended meetings
Roger Perkin	Chair	•••••••	•••••••
Andrea Blance	Independent Non-Executive Director	•••••••	•••••••
John Troiano	Independent Non-Executive Director	•••••••	•••••••

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.

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.

Following a review of the Committee's terms of reference in October 2021, the main compliance responsibilities were transferred to the Risk Committee to align with its existing responsibilities. 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.

> "Ensuring oversight of financial reporting and the control environment.
>
> **Roger Perkin**
> Chair of the Audit Committee

Composition and meeting attendance

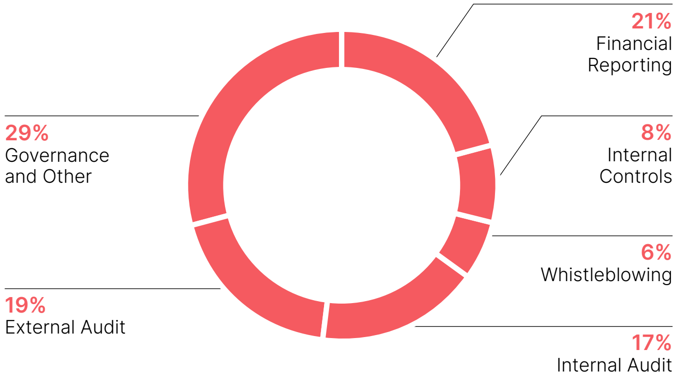
Roger Perkin (as Chair), Andrea Blance and John Troiano, each of whom is an independent Non-Executive Director, are the members of the Committee as at the date of this report and have been throughout the period under review.

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, Andrea Blance and John Troiano have significant experience of the asset management sector and the wider financial services industry. 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 on developments in relation to technology controls.

The Committee met seven times in the period under review. The attendance of members at meetings across the year is set out in the table opposite. 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 Internal Auditor and the external auditor. The Committee has access to the Group Company Secretary, whose nominee acts as secretary to the Committee. The Committee is authorised to obtain independent professional advice where it considers it necessary. →

Overview of the Committee's activities in the year to 30 June 2022



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, including the Group's Sustainability Accounting Standards Board (SASB) disclosure.

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 application of IAS 38 (Intangible Assets) in relation to the amounts held by the Group's subsidiaries including internally developed software and goodwill.

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 recalculating the Group's significant revenue streams and carrying out sample testing on the remainder. In addition, the external auditors reviewed and sample tested the operational transactions that drive the revenue to ensure that these were being booked in a timely and accurate fashion.
- **Going concern.** The Committee reviewed the going concern position for each group entity.
- **Carrying value of investment in subsidiary.** The valuation model of HLSL was reviewed in detail by the Committee and they concluded that a £5 million impairment of HL plc's investment in HLSL was required. They also reviewed the capitalised development cost in HLSL against this model and concluded that no impairment was required. Full details of the value of intangible assets capitalised and the policies applied can be found in note 2.2 to the consolidated financial statements on pages 140 to 141.
- **Tax.** The Committee received reporting on and considered tax matters impacting the Group, including overseas withholding tax, FATCA and HMRC's Corporate Criminal Offence.
- **COVID-19.** The Committee continued to consider the potential impact of the COVID-19 pandemic on the Group's performance and financial reporting. In addition, 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 judgements made in connection with its preparation.
- **Contingent liabilities.** The Committee reviewed and carefully considered the contingent liabilities for the Group. Full details of the matters considered can be found in note 5.3 to the consolidated financial statements on page 151.
- **FRC Correspondence.** During the financial year, the Group corresponded with the FRC about its 2021 Report and Financial Statements. In March 2022, as part of its corporate reporting review function, the FRC requested information about the accounting implications for potential litigation against the company in respect of the LF Equity Income Fund (formerly Woodford Equity Income Fund) that had been reported in the media. The Group explained in its correspondence with the FRC that a pre-action letter had been received from a legal firm in March 2021. The Group clarified that in June 2021, it had issued a letter in response which rejected all the claims made for lack of a substantive basis of claim. The Group informed the FRC that no formal litigation or group legal action had commenced as at the date of issuing the 2021 Report and Financial Statements, or since. This remains the case as at the date of this report.
- **Remuneration.** The Committee considered the accounting impact of the proposed changes to a new Sustained Performance Plan within the Remuneration Policy. Changes relate to deferral rates and vesting periods and are driven from the requirements of the Investment Firm Regulation and Investment Firm Directive along with shareholder feedback.

As Hargreaves Lansdown Asset Management Limited is an enhanced firm under the Senior Managers & Certification Regime but does not have a separate Audit Committee, the Committee reviewed the Hargreaves Lansdown Asset Management Limited accounts for recommendation to the board of that company.

Alternative Performance Measures

The Committee reviewed and challenged the classification and monitoring of costs related to our updated strategy.

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 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 54.

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 122.

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 run in relation to the financial year ended 30 June 2014.

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. The Committee reviewed and approved the external auditor's engagement letter and the detailed audit plan to ensure appropriateness 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 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. The views of the external auditor were also sought at the Committee's meetings, which included sessions without management present to discuss its remit and any issues arising from the audit.

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 2021/22 AQR inspection report.

The Committee regularly receives reports from the external auditor on the progress of its audit activities. The Committee reviews the contents of these reports and the level of professional scepticism and challenge of management judgements. Where appropriate, the Committee tracked the management response to external audit findings to ensure a satisfactory outcome to any challenges raised. The views of management and the Committee members were also sought on the efficiency of the year end process and the performance of the external auditor. In conclusion, 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 permissible non-audit services which the external auditor may carry out in line with the FRC's Revised Ethical Standard. In particular, the Committee considers that it is desirable that the external auditors also perform the assurance services required by regulation in respect of CASS and Safeguarding as this provides significant efficiencies in the audit process and, in its judgement, the threats to the auditors' independence are clearly insignificant. All non-audit services must be approved in advance by the Committee.

The policy also specifies, in line with the FRC's Revised Ethical Standard 2019, 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. Assurance services in relation to CASS and Safeguarding are specifically excluded from the fee cap. The full policy can be found on the Group's website at **www.hl.co.uk/about-us/board-of-directors/corporate-governance**.

During 2022, the Group paid PwC £1,036,000 (FY21: £806,000) for audit and related assurance services and £101,000 (FY21: £90,000) for other assurance services, giving a total fee to PwC of £1,137,000 (FY21: £896,000). Further information on Auditors' Remuneration is set out in Note 1.4 to the Financial Statements. →

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, including the tenure of the Group's external auditor, the tender process for auditor appointments and Audit Committee responsibilities.

The lead audit partner for the period under review was Darren Meek, in his second year of appointment. The Company considers 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 financial year ending 30 June 2023.

Given the Group appointed PwC as its external auditor following a tender process in respect of the financial year ending 30 June 2014, the Group was required to undertake a formal, competitive tender process in respect of the financial year ending 30 June 2024 at the latest. To allow sufficient time for a transition period, should it be needed, and to enable an incoming auditor to become independent following any appointment decision, the Company conducted the tender process during the period under review.

Audit quality was of paramount importance in key selection criteria. The Committee retained ultimate authority over the tender process and the scope of the tender consisted of the HL Group audit and statutory audits of all Group companies (excluding dormant companies and those subject to exemption from audit), as well as the performance of assurance services required by regulation in respect of CASS and Safeguarding.

To ensure a transparent and robust selection process, a panel was established to manage the process, chaired by the Committee Chair and including the Chief Financial Officer. The panel was responsible for overseeing the design and execution of the audit tender, including agreeing the key objectives and evaluation criteria. All firms were requested to confirm their independence on acceptance of the request for proposal and to provide details of any matters of which they were aware that could have an impact on independence, which were reviewed against internal agreements and proposals in place.

In order to be successful in the audit tender, the firms were evaluated on the following selection criteria:

- Audit quality;
- Strength and experience of the audit team;
- Understanding of HL, its business and industry;
- Audit approach;
- Ability to create effective working relationships; and
- Commercials.

The tender resulted in a recommendation to the Board in June in respect of the audit of the financial statements for the year ending 30 June 2024 and subject to member approval at the 2023 AGM. Subject to continuing satisfactory performance, members will be invited to vote, at the Company's AGM, to reappoint PwC. The next tender process will be mandatory after no more than ten years.

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 control 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.

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 independent assurance on the effectiveness of controls 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 operational resilience, IT, 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 Chief Internal Auditor's annual assessment of the Group's internal control framework; and
- Monitored the status of the Group's CASS control environment and the improvements being made. 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.

Overall, the Committee is satisfied that the Group's internal control and risk management framework comprises adequate arrangements, actions and mitigating controls. The Committee recognises that in order to support the continuing growth and increasing complexity of the Group, there is a need to continue to invest in improving and strengthening the Group's risk culture and the risk management and internal control systems. Further information on the enhancements can be found on page 113 of the Risk Committee Report. The Committee has reviewed and approved the statements included in this Report and Financial Statements relating to risk management and longer-term viability on page 54 of the Strategic Report and on the adequacy of the Group's internal control and risk management arrangements on page 73 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 instances 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. →

Internal Audit

The role of the Group's Internal Audit function is to provide objective assurance and advice to both the Board and 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.

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. Any modifications to the Plan are also approved by the Committee.

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 Chief Internal Auditor is a permanent invitee to the Committee's meetings and meets regularly with both the Committee Chair and its members without management present. During the period, the Committee received regular reports on progress against the Internal Audit Plan, the responsiveness of management in addressing recommended 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.

Having considered 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.

The Committee continues to support the maintenance of the function's objectivity. It ensures the Chief Internal Auditor has direct access to both the Chair of the Board and the Committee Chair, in each case without the involvement of management, and they receive reporting directly from the function.

It is also the responsibility of the Committee Chair to set objectives for the Chief Internal Auditor, appraise his performance (with support from the Chief Executive Officer) and recommend his annual remuneration for approval by the Remuneration Committee.

Audit Committee evaluation

The Committee is required to undertake a review of its performance at least annually to ensure it is operating effectively and in line with its terms of reference. This review was undertaken in April 2022 which confirmed that activities during the period have been in line with its remit.

Audit Committee priorities for 2022/23

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

- 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 updated strategy;
- The continued impact of changes to the macroeconomic situation in the UK and globally; and
- Preparations for changes to processes and procedures arising from the response statement by the Department for Business, Energy and Industrial Strategy on the future of audit and corporate governance.

Roger Perkin
Chair of the Audit Committee

4 August 2022

DIRECTORS' REMUNERATION REPORT

Dear Shareholder

As remuneration Chair, I am pleased to present this Directors' Remuneration Report for the year ended 30 June 2022 that sets out how the committee has addressed its responsibilities during the year and explains the rationale for our decision making. In doing so, I would also like to thank our shareholders for their overwhelming support of last year's remuneration report.[1]

Our purpose is to empower people to save and invest with confidence. To achieve our purpose, we need to perform well whilst doing the right thing for all our stakeholders. Over the last two years Hargreaves Lansdown, like many businesses, has worked hard to support our people in the aftermath of the pandemic, shortly followed by the war in Ukraine and cost of living crisis, and whilst managing a journey towards embedding our strategy and new ways of working together.

I have set out below an overview of our remuneration philosophy which is aligned to our values and is designed to support the strategic priorities of Hargreaves Lansdown by encouraging client-centric sustainable business performance in the context of the social and environmental impacts experienced by our colleagues, our clients and our shareholders.

As announced at our Capital Markets Day in February, we have reached an inflection point in UK wealth management – now is the time for HL to move forward in this huge and growing market opportunity. We look forward to a period of transformation and over the next year we will reflect on our approach to remuneration, with input from our wider workforce as well as feedback from our shareholders, to ensure that it fully aligns with our strategic goals.

This is the beginning of a time of review before we submit our policy again to shareholders at the 2023 AGM, three years since shareholders approved it in 2020. I look forward to engaging with our major shareholders during the forthcoming financial year to hear your reflections on our approach to executive remuneration as we determine whether our current remuneration policy remains appropriate for the coming years and what, if any, aspects could work better in ensuring our approach to pay reflects and supports the strategy and purpose of Hargreaves Lansdown in future.

A purpose centred on our clients and the long term

Our purpose is to empower people to save and invest with confidence and our pay philosophy for all colleagues aligns to this and aims to:

- Reward client-centric sustainable performance aligned to our purpose and values;
- Share in the success of the Company and align colleagues' interests with those of shareholders;
- Recognise our colleagues who deliver exceptional client service the HL Way;
- Attract, retain and motivate a diverse range of talented colleagues who live our culture and values;
- 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.

Alignment of performance metrics to transparently evidence delivery of our strategy will remain important anchors, particularly in the context of our strategy of transformation announced at our Capital Markets Day in February. We will reflect any further adjustments to the Directors' Remuneration Policy and present this to shareholders at next year's AGM. →

1 Votes cast for the 2021 report 95.52%.

Business context in 2022

This year has been a difficult year for so many and the uncertain and challenging external environment has led to reduced market and investor confidence. Whilst we cannot control the external factors impacting our business outcomes, management have acted on what they can control and have delivered a healthy statutory Profit Before Tax (PBT) (albeit below threshold) and dividend outcome, through a focus on key revenue drivers, our client service excellence and robust cost control.

Despite reduced investor confidence, we have continued to grow both in terms of net new business and client numbers, whilst also ensuring strong client retention and satisfaction. In addition, the executive team have delivered a significant amount of activity aligned with our strategic priorities, notably the launch of the HL Growth Fund, partnering with two new banks in Active Savings, and driven operational resilience improvement in line with regulatory deadlines. We are also continuing to deliver against a stretching ESG agenda in line with the values of our business.

In determining Executive Director bonuses, the Committee reviewed the formulaic out-turns based on financial and non-financial performance in key areas of focus. Given the targets were set before the strategy was set and did not take account of a planned £175 million strategic spend, the Committee considered whether to adjust targets to reflect strategic spend. However, in order to maintain transparency and consistency, it determined this was not the right approach this year but acknowledged it was appropriate to take account of strategic spend when setting FY23 targets. The Committee also considered carefully:

- Whether the overall outcomes aligned with the wider stakeholder experience;
- The change in share price over the period;
- The intention by the Board to pay a full year dividend; and
- The progress this year against key strategic priorities crucial to the long-term success for the Company.

Finally, the Committee noted wider workforce bonus outcomes were stronger than those determined for Executive Directors, which are substantially lower than in the previous year.

This is the first year that we have assessed outcomes under the Sustained Performance Plan (SPP). This plan was introduced to reinforce alignment of the interests of participants with those of our shareholders as well as to support our focus on long-term stewardship. Awards were subject to underpinning performance conditions reflecting upon Group financial, risk and personal performance over a five-year period and I am pleased to announce that, after careful consideration by the Remuneration Committee, the underpin has been met in full.

Further details on how awards have been determined for the 2022 performance year as well as grants made during the year are set out in the annual report on remuneration.

Executive Director changes

On 31 January 2022, Philip Johnson stepped down from the Board due to personal reasons and he left Hargreaves Lansdown on 31 May 2022. His pay on leaving was determined in accordance with his service contract and our remuneration policy. He was eligible to receive a pro-rated bonus reflecting relevant performance and his period of employment this year. The bonus outcome in relation to the outgoing CFO was carefully considered in the context of performance in the round prior to stepping down from the Board. In line with the discretion granted to the Committee under the plan rules he was treated as a good leaver in relation to his outstanding share awards. Awards remain subject to the extent performance conditions are met and vest in accordance with their original time frames. In accordance with the policy, he will maintain a post-employment shareholding for a period of two years.

Further details of the treatment of Philip Johnson's remuneration on stepping down including assessment of his bonus outcome are provided on page 98.

Amy Stirling has been appointed as CFO with effect from 21 February 2022. Amy joined from Virgin Group where she has been part of the senior leadership team since September 2016. When determining the remuneration package of the new CFO, the Committee took into consideration the wider talent market, the calibre of the candidate and the experience she brings to the role. As such her salary has been set at £525,000 and all elements of her ongoing package are aligned to our Directors' Remuneration Policy. For 2022 she received a pro-rated bonus for time in role during the year.

Further details on her incoming package are provided on page 105 where it is also noted that no buy-out of deferred or share-based awards was made.

Wider Workforce

Whether it concerns the global pandemic, war in Ukraine, cost of living crisis or the volatile stock market this financial year has been an unprecedented time for most colleagues. Whilst we have been fortunate to have high demand for our services, our colleagues had to deal with the significant pressure that this has put on our teams, alongside navigating the unprecedented challenges of the wider environment.

In August 2021, we made a one-off special award to thank our colleagues for working together and supporting our clients through this challenging pandemic period. In May 2022, in recognition of the unprecedented combination of factors impacting the finances of colleagues, we provided a one-off 'breathing space' payment to those we concluded would be most impacted (based on salary level) and to address the effect on their financial resilience. →

As a responsible market-leading employer, we regularly review and benchmark salaries in line with our market comparators. In response to the most recent review, this year, we made some immediate changes to the pay levels of our entry level roles.

Building and maintaining a strong colleague value proposition that ensures colleagues are rewarded fairly and that we are competitive in the market is fundamental to ensuring the success of HL. I am excited about the proposed programme aimed at evolving our colleague value proposition to support our new strategy and look forward to providing further updates next year.

The colleague voice plays a key role in our decision making process, to ensure that we do the right thing for our clients, colleagues, and community. This year, we launched pay and culture employee listening sessions where members of the Board, ExCo and the Senior Management Team listen to what colleagues have to say on topics around pay, progression and culture at HL. The HL Colleague Forum (set up in January 2019) focuses on gathering colleague feedback on key strategic decisions including remuneration, culture and strategy. Additional operational focused forums, such as our policy user group, help us to successfully implement our response to the feedback gathered during the Colleague Forum. In 2021, the Colleague Forum provided feedback on HL's culture, strategy and pay (including Executive remuneration approach) where colleagues were generally excited about the direction of the strategy. However, they also expressed a desire for more granular detail so they could better understand their part in delivery against the strategy and performance expectations across all levels.

Areas of focus for the forthcoming year

In 2022 we announced the evolution of our strategy and we have a very clear vision of the future service that HL can provide. The delivery of this strategy will encompass the whole business, as we optimise the way we work together to execute on the next stage of HL's growth.

In respect of the 2023 financial year, I would like to highlight the following:

- The Committee determined that with the addition of underlying cost as a new measure, the existing Executive Director bonus metrics were relevant for assessment of performance in the year ahead. As such, these metrics have been aligned to the five strategic pillars that support the strategy, ensuring that at least 50% is weighted to financial/growth measures as prescribed in the policy.
- In addition, the Committee determined that assessment of ESG considerations should become part of Group performance (instead of as part of personal performance as for 2022).
- For 2023, personal contribution (20%) will be assessed with reference to the achievement of strategic delivery.
- In accordance with the policy and IFPR (the Investment Firm Prudential Regime), bonus awards granted in respect of 2023 will be subject to a six-month retention period.
- The CEO will receive a 4.3% salary increase; the second part of a two-stage salary increase agreed by shareholders in October 2020. This is less than the average increase to the wider workforce below Executive Director. Furthermore, this year's pay review has focused on those colleagues below our senior leadership who are experiencing the impact of cost of living and inflationary pressures. The CFO's salary is unchanged having only recently been set at appointment.
- As set out in last year's Report and Financial Statements, the CEO's bonus opportunity for 2023 will be 400% of salary, with target opportunity reducing to 200%. The CFO's bonus opportunity will be 350% in line with 2022. Opportunities are in line with the maximum under the Directors' Remuneration Policy. Any bonus awarded will be delivered in a combination of cash and shares as required by regulation.
- The changes to the CEO's base salary and bonus opportunity represent final steps of increases in response to a redesign of the bonus in 2021 to reduce the target payment to 50% of the maximum opportunity previously agreed by shareholders.
- The current intention is for SPP award levels to remain unchanged from prior years and in line with the shareholder approved Remuneration Policy at 50% of salary, subject to the Committee's consideration of wider context at the time of vesting. Where the Committee considers that there has been a misalignment between outcomes and business performance during the period, the Committee has the discretion to amend vesting of outcomes. See page 86 for further details regarding the underpin criteria for the SPP award.

The approach to Executive Director remuneration is set out in greater detail including detail on performance measures in the annual report on remuneration.

We continue to review our remuneration approach throughout the organisation to ensure we remain compliant with our governance and evolving regulatory requirements. As part of this, although significantly aligned already, we have continued to undertake a review of our internal processes and documentation in response to the changes in the Investment Firm Prudential Regime in order to implement these requirements in line with the required time frames. →

Gender pay and diversity

At HL, we believe that building a diverse and inclusive culture is not simply because it is the right thing to do, but because we believe it will lead to better outcomes for clients, colleagues, our community and our business. We believe inclusion and diversity is everyone's responsibility, so every colleague has this in their objectives, ensuring we all play our part.

Our inclusion and diversity strategy has three priority areas and an aligned action plan to drive progress. This strategy will enable us to continue to build an inclusive culture and brand where colleagues feel engaged whilst attracting a broad pool of talent.

Two of our priority areas relate to the progression and retention of female and ethnic minority talent at HL. We continue to build accountability into our approach through setting inclusion and diversity objectives with target metrics for Executive Directors, Executive Committee members and senior leaders, and through the regular tracking of progress at the Executive Committee. In 2022 Executive Directors' objectives included quantitative gender and ethnicity targets at a Group-wide level.

Alongside our focus on female and ethnic minority representation, we have a strong focus on creating an inclusive culture at HL, recognising that is key to retaining, engaging, and getting the best out of our colleagues. Progress this year includes winning a Stepping Up award acknowledging the leadership and support HL is providing to changing diversity and inclusion across Bristol and launching the Strive internship scheme, aimed at providing paid work experience opportunities to Black, Asian and Minority Ethnic students across the region. The scheme has won an Institute of Student Employers award for our outstanding partnership with the University of the West of England.

A full summary of our inclusion and diversity approach, progress and initiatives can be found on pages 94 to 97. Our 2021 Gender Pay Gap (GPG) figures show that we reduced all our Mean Gender Pay Gap, Median Gender Pay Gap and Median Bonus Gap since the last submission. Our Median Gender Pay Gap continues to improve year-on-year, from 19.1% to 14.5%, with continued positive movement since the figures from 2018. Our Mean Bonus Gap has widened slightly, by 1.2 percentage points in the last year.

These figures reflect the increases in female representation at Board and Director level because of our strategic focus on hiring more, promoting more and losing fewer senior women. The trend for median GPG is forecast to narrow even further next year, predominantly driven by increased female representation at senior levels. However, we need to ensure this level of success permeates down into the organisation to drive long-term change.

We have supported the attraction, retention and progression of diverse talent through several external partnership, engagements and representation programme including our ongoing participation in the 30% Club's Women Ahead Mentoring programme; nominating colleagues to participate in the Stepping Up programme, an award-winning diversity leadership programme, and sponsorship of RISE2Inspire black-led mentorship programme to support aspiring entrepreneurs.

Progress in the inclusion and diversity space requires long-term focus and commitment to drive change; but we have made significant strides this year:

- We continue to gather data to better understand the experiences of colleagues at HL through regular colleague surveys.
- We have introduced a new Service Graduate Scheme alongside our existing rotational scheme, a range of apprenticeships for school/college leavers and career changers. We also now offer 12-month industrial placements for undergraduates, internships, and work experience.
- This year we launched a series of Executive Committee Listening Sessions so they could get deeper insight into our colleagues' lived experiences and the different colleague groups at HL. To date we have held sessions with senior women, ethnic minority colleagues, women on helpdesk and women in digital, with further sessions planned for other colleague groups this year.
- Raising the profile of our award-winning colleague networks in driving engagement and awareness.

We will continue to report back in next year's Directors' Remuneration Report on the further progress we have made during the year.

Contents of this report.

On the following pages we set out:

- A summary of the Directors' Remuneration Policy which was approved at the 2020 AGM on 8 October 2020; and
- The annual report on remuneration will be subject to an advisory vote at the 2022 AGM.

I look forward to meeting with our major shareholders over the coming months. In the meantime, I would like to recommend this remuneration report for approval at the upcoming Annual General Meeting.

Moni Mannings
Chair of the Remuneration Committee

4 August 2022

DIRECTORS' REMUNERATION POLICY (SUMMARY)

The Directors' Remuneration Policy was subject to a binding vote and approved by shareholders at our 2020 AGM held on 8 October 2020. It is intended that it should apply for three years, until our 2023 AGM.

The full Directors' Remuneration Policy can be found on pages 78 to 85 of the 2020 Report and Financial Statements, which is available to view on our website at **www.hl.co.uk/investor-relations**. The tables below summarise the key elements of pay for Executive and Non-Executive Directors.

The Company's Directors' Remuneration Policy ('the Policy') is designed to ensure that remuneration supports the Company's strategic objectives, is appropriately positioned against the external market, and provides fair rewards that will attract, retain, and motivate individuals of the highest 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 the 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 Company, 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.	Whilst 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.

Component/purpose and link to strategy	Operation and performance measures	Maximum opportunity
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 through 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 of the 2020 Report and Financial Statements.	The maximum bonus opportunity for Directors under the current policy is as follows: • CEO: four times base salary. • CFO: three and a half times base salary.

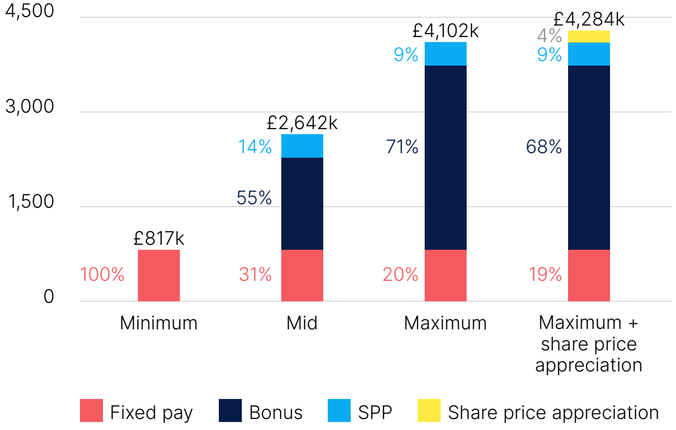
Component/purpose and link to strategy	Operation and performance measures	Maximum opportunity
Sustained Performance Plan Aligns the interests of Directors with those of shareholders and rewards long-term stewardship of the Company.	Annual awards over HL plc shares will vest over a five-year period, subject 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. The grant of awards will be 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 up front 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 of the 2020 Report and Financial Statements.	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, there is a post-cessation shareholding guideline in place, 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.

Illustration of application of Remuneration Policy

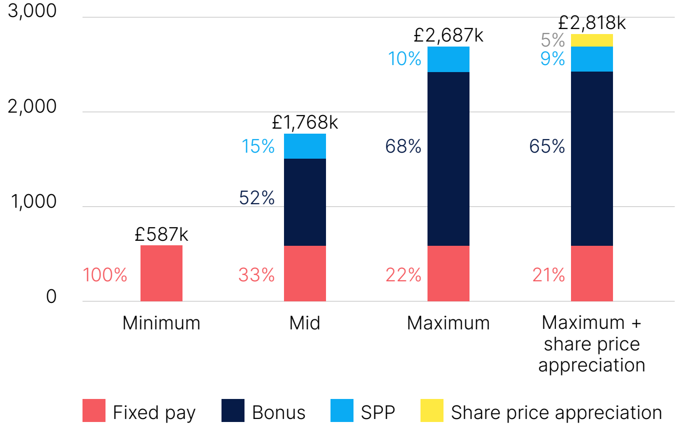
The Committee discloses each year in the Group's Report and Financial Statements a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart shows the potential value of the current Executive Directors' remuneration for the forthcoming year for three scenarios; minimum, mid-point and maximum 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 would receive if they achieve an on-target bonus level and awards under the Sustained Performance Plan vest in full. It would 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 scenario charts, the final scenario on the right hand side sets out the impact on the SPP award of a 50% appreciation in the Company's share price during the relevant period. →

Chris Hill – Remuneration opportunity for 2022/23 (£'000s)



Amy Stirling – Remuneration opportunity for 2022/23 (£'000s)



Notes

1 Chart for Chris Hill shows that on-target bonus for the 2022/23 performance year will decrease to 200% and maximum bonus opportunity will increase slightly to 400% of applicable salary for 2022/23.

2 Chart for Amy Stirling shows that on-target and maximum bonus opportunity, based on applicable salary for 2022/23, remain the same for the 2022/23 performance year.

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 Group company 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.

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.

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 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 Committee shall also review workforce remuneration and related policies, and the alignment of incentives and rewards with the Group's culture and defined behaviours, taking these into account when setting the policy for plc Executive Director remuneration. 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 Executive Committee, there is a sub-committee (the Reward Governance Committee) for the review of remuneration structures and outcomes consisting of the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Group Chief Risk Officer and Group Head of Colleague Proposition and Capability, which 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 policy, the Committee was mindful of the UK Corporate Governance 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. In the Report and Financial Statements we have enhanced disclosure on variable pay and 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 current 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 (plus 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 the HL Way and are aligned to the strategy of the business. →

Meetings during the year

There were six scheduled meetings during the year and occasional ad hoc meetings where required. Meetings were chaired by Moni Mannings; other members were Deanna Oppenheimer and Dan Olley for the full year and John Troiano for part of year having joined the Committee on 26 January 2022.

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.

Member	Position	Eligible meetings	Attended meetings
Moni Mannings	Chair	••••••	••••••
Deanna Oppenheimer	Non-Executive Director	••••••	••••••
Dan Olley	Non-Executive Director	••••••	••••••
John Troiano	Non-Executive Director	••	••

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:

- Reviewing and implementing the Directors' Remuneration Policy and considering our remuneration approach for 2022/23;
- Consideration of the Directors' Remuneration Report in the 2021 Report and Financial Statements, and the feedback received from shareholders and proxy agencies;
- Reviewing our approach to business and individual performance measures, targets and weightings, with a particular focus on ensuring they evidence delivery against our strategic priorities;
- 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 (MRTs);
- Reviewing and approving Executive Directors' objectives and performance measures;
- Reviewing the approach to the new Investment Firm Prudential Regime (IFPR) and the approach for the identification of, and pay out process for MRTs under IFPR, Alternative Investment Fund Managers (AIFMD) and Undertakings for the Collective Investment in Transferable Securities V (UCITS V);
- Reviewing the remuneration policy for the wider workforce, including assessing progress towards achieving Director shareholding requirements, and approving new policies in accordance with the IFPR requirements;
- Approving the annual Save As You Earn scheme invitation and terms;
- 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, culture and strategy via the Colleague Forum;
- Reviewing the gender pay gap reporting covering the snapshot date of 5 April 2021 and noting management's action plan to address the gender pay gap; and
- Reviewing and approving an updated Terms of Reference for this Committee.

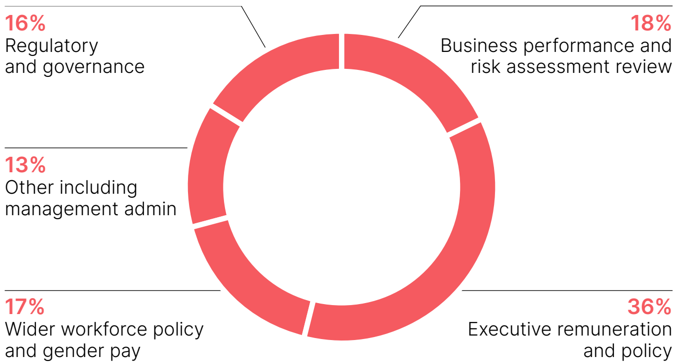
The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at **www.hl.co.uk/about-us/board-of-directors**.

Advice to the Committee

During the year, the Committee has been supported by the Company Secretary, Chief People Officer, Group Head of Colleague Proposition & Capability, Head of Performance and Reward, and Chief Executive Officer who are invited to attend Committee meetings to provide further background information and context to assist the Committee in its duties. The Group Chief Risk Officer also provides a formal risk assessment to the Committee at mid-year and at the end of the financial year which assesses performance of the business against risk appetite, key risk indicators, and includes an assessment of risk events and conduct breaches to ensure second line input into proposed remuneration outcomes. No Director was involved in decisions regarding the determination of their own remuneration.

Deloitte LLP, a signatory to the Remuneration Consultants Group's Code of Conduct were reappointed by the Committee during 2021 and remain engaged for the provision of independent remuneration advice, and throughout the year the Committee has been advised by them. The advisers review all committee papers and provide input on matters directly to the Committee as well as attend committee meetings. As such, the Remuneration 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 £95,965 plus VAT on a time and material basis. Other services provided to Hargreaves Lansdown by Deloitte LLP during the year consisted of risk advisory, tax, financial advisory, consulting and internal audit services on a co-sourced basis. →

Overview of activities during the financial year 2022



Consultation with employees

The HL Colleague Forum was set up to create a feedback channel directly between colleagues and the Board on matters of strategic importance. Over the year, this included HL's culture, strategy and approach to pay and performance measurement, including Executive remuneration. The Forum discussed proposed changes to our approach to pay, the embedding of the strategy and ways to build on our general culture following the results of our biannual engagement surveys.

Colleagues were generally excited about the direction of the strategy. However, they also expressed a desire for more granular detail so they could better understand their part in delivery against the strategy. At the following forum on the pay approach, similar themes came through with colleagues expressing a desire for greater clarity and transparency around objectives and performance expectations across all levels.

Consideration of employment conditions elsewhere in 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 that 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. This year our pay review has focused more on increases to colleagues below our senior leadership who need it most and the average salary to colleagues in this population was 5.88% for colleagues below senior leadership compared to 4.15% for senior leadership.

Over the year we have continued to practice our 'Always Listening' approach to enable us to better consider the voice of our colleagues when making decisions.

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 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 2022

Remuneration payable for the 2022 financial year (1 July 2021 to 30 June 2022) (Audited)

The remuneration policy operated as intended in the financial year with remuneration received by Executive Directors in relation to performance in 2022 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	2022	700	1	578	385	161	77	1,902	778	1,124
	2021	648	1	1,175	783	–	71	2,678	720	1,958
Philip Johnson	2022	477	1	170	114	114	49	925	527	398
	2021	459	1	785	523	–	50	1,818	510	1,308
Amy Stirling	2022	187	5	143	95	–	7	437	199	238

Notes

1 This includes Medical, PMI and SAYE discount value over the term of the savings contract in respect of Amy Stirling.

2 Sustained Performance Plan (SPP) is our Long Term Incentive Plan (LTIP), which was approved at the 2017 AGM and granted in November 2017. The formulaic outcomes of the 2017 SPP award has been assessed by the Committee to ensure it was appropriate and the Committee confirmed it will vest in full with no discretion applied. The value has been calculated using the share price of £8.482 as at 20 July 2022. As the SPP award was granted using a share price of £15.83, none of the SPP value is attributable to share price appreciation. See page 98 for further details of the assessment of the underpin conditions.

3 This includes employer pension contributions and any pension allowance paid in lieu of pension contributions.

Other than SAYE options (which are available to Executive 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 Executive Directors on the same basis as other employees. For 2022, 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 Executive Director has a prospective entitlement to a defined benefit pension by reference to their length of qualifying service.

Assessment of annual performance for the 2022 financial year (1 July 2021 to 30 June 2022)

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 and client and delivery measures, including an assessment of risk performance and risk events as detailed below;
- Each individual's performance against Environment, Social and Governance (ESG) measures, 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; and
- The Committee approved the retention of the simplified three key metrics for the 2021/22 award, with 50% of the award based on financial/growth metrics, 30% based on client and delivery metrics and 20% against individual objectives. However, given the importance of ESG, the individual objectives element has been focused on key personal and collective goals in this area for the relevant financial year. Further details are set out below.

For each Executive Director, the Committee determined their overall bonus, taking all factors into account and using all relevant information, by reference to the following target and maximum levels, as disclosed in the 2021 Report and Financial Statements:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	212.5%	375%
Amy Stirling	175%	350%
Philip Johnson	175%	350%

Notes

1 The maximum bonus opportunity for Chris Hill is 375% for the 2021/22 performance year, and will increase to 400% for the 2022/23 performance year.

2 The maximum bonus opportunity for Amy Stirling is 350% of salary. As Amy was appointed to the Board on 21 February 2022, her bonus has been pro-rated to reflect her time in role during the relevant performance year.

3 The maximum bonus opportunity for Philip Johnson was 350% of salary for the 2021/22 performance year. As Philip stepped down from the Board on 31 January 2022, his bonus has been pro-rated to reflect his time in role during the relevant performance year.

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

Performance category		Weighting	Objective Descriptor	Measure
Financial/growth		50%	Define and shape the business to thrive at scale, deliver sustainable long-term financial results, and evolve our market-leading client service to exceed market expectations	Net New Business Client Numbers Profit Before Tax
Client and Delivery		30%		Client retention Client Advocacy Strategic Delivery
Personal	Environment	20%	Reduce our impact on the environment, evolve our sustainable and responsible investment proposition and provide the tools and information to enable clients to invest in line with their preferences	Assess and develop the footprint of HL, agree with the Board steps to help clients be responsible investors and understand the footprint of their investment portfolio
	Social		Evolve and communicate the strategy, and proactively manage the reputation of the Group across all stakeholders	Reputation/Strategy
			Develop a diverse, inclusive and innovative culture with colleagues who are engaged, empowered, work together and live our values	Diversity & Colleague Engagement
	Governance		Shape a well governed organisation that operates within the Board's risk appetite	Effective controls and processes

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

Further 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	£7.3bn	£8.0bn	£8.7bn	£5.5bn	0%	Net new business targets were set at the beginning of the performance year in a different environment and, in setting them, the Committee recognised this was an ambitious stretch target based on prior year (£8.7bn). Although this year's outcome fell short of threshold (and therefore no bonus was attributable to this metric), the Committee recognised this represented a good level of growth in an environment of low investor confidence and challenging market conditions, particularly in the second half of the year.
Client numbers	1,779,000	1,824,000	1,869,000	1,737,000	0%	Similar to net new business, client growth targets were set at the beginning of the performance year against an environment of high investor confidence. Despite a very different landscape to that anticipated, this year has resulted in a further 92,000 net new clients, representing 6% growth in client numbers (although just below the threshold and therefore no bonus was attributable to this metric).
Profit before tax	£272.25m	£302.5m	£366.0m	£269.2m	0%	The Committee recognised that PBT at £269.2m was close to threshold of £272.25m as a result of the strategic spend incurred during the year. As the targets were set at the beginning of the financial year, before the strategy was set and investment quantified, this spend was not taken into account in the target setting. However, the Committee determined that, despite this, threshold would not be adjusted and therefore no bonus would be attributable to this metric.
						Overall achievement 0% of 50% weighting

Client, colleague and delivery (30% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Client retention	90%	92%	94%	92.1%	52.5%	A very strong performance in the context of external factors. The Committee noted the significance of maintaining strong client retention reflecting our high quality client service and agreed that client retention is at a high level as we focus on the FY23 strategic initiatives.
Client satisfaction	79%	81%	83.0%	80.7%	46.3%	A strong performance supported by a reduction in complaints and an increase in external satisfaction measures. The Committee noted both the strong performance in client satisfaction and the broader indicators in support of this outcome.
Strategic delivery	0%	50%	100%	100%	100%[1]	The Committee noted the success of Capital Markets Day in February and, although market conditions changed soon afterwards, the executive team have set out a clear and ambitious timeline of strategic delivery through the integrated plan and execution over the year has been outstanding. In addition, the Committee noted the excellent delivery of the FY22 priorities, including launch of the HL Growth Fund, partnering with two new banks in Active Savings, and driving operational resilience improvements in line with regulatory deadlines.
						Overall achievement 19.9% of 30% weighting

Notes

1 As Philip Johnson stepped down as CFO on 31 January 2022, the Remuneration Committee considered strategic delivery against plan up to this date. It was determined that the objective was on track to achieve 75% against plan based on performance during this period, as opposed to the 100% achieved for the full financial year. Therefore, it was agreed that the overall outcome for the client, colleague and delivery objective should be 17.4% of 30% for Philip Johnson.

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

Chris Hill

Personal (20% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Environmental – assess and develop the footprint of HL, agree with the Board steps to help clients be responsible investors and understand the footprint of their investment portfolio.	Progress towards responsible business, responsible fund manager and responsible investment and savings provider.			Strong progress made	Above target	Significant progress made towards implementing the ESG strategy across: 1. Responsible Business – Continued progress towards becoming a net zero business through increasing the efficiency of our building operations and investing in greener transport options for colleagues. 2. Responsible Fund Manager – Assessed the carbon footprint of our portfolio to progress plans in FY23 for our net zero commitments and on track to launch ESG integrated building block and portfolio funds. 3. Responsible Investment and Savings provider – Launch in FY22 of Responsible Investment Hub and new ESG investment policy, and increased the number of research articles reflecting consumer interest trends.
Social – reputation (dashboard)	Amber	Amber/Green	Green	Amber/Green	Target	Achieved an above target rating on our reputational risk scorecard assessment. Savings and Resilience Barometer (developed with Oxford Economics and covering managing debt, protecting your family, building emergency savings, pension provisions and managing broader investments) has received 19,500 engagements and 27 press mentions. Significant improvement across all brand metrics, with market-leading gains across the whole awareness-interest-desire-action brand funnel. Trustpilot star rating increased from 3.1 (November 2020) to 4.3 (April 2022). Significant increase in positive sentiment across all our core media targets.
Social – diversity	Progress towards 2025 gender and ethnicity targets.			Strong progress made	Above target	Material progress evidenced through improvements in gender diversity and the Gender Pay Gap. Women in Finance Charter data shows that we have improved representation of women at senior management level from 30.4% in August 2020 to 31.5% in August 2021. Female representation has increased to 44% on the Group Executive Committee. Our 2022 colleague survey response to 'HL Values and promotes colleague diversity and inclusion' was 83% favourable (up from 72% in 2021). In addition, clear progress has been made in addressing broader inclusion and diversity, including ethnic diversity. Building on meeting the requirements of the Parker review, the Committee noted (amongst other initiatives) the launch of HL's largest internship programme, with 10 interns coming through programmes which specifically focus on Black, Asian and Minority Ethnic students.

Personal (20% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Social – colleague engagement	62%	66%	70%	64%	Below target	Colleague engagement fell below target and slightly behind last year's score (when it peaked) and sits alongside some strong scores in culture and also manager engagement. Taking account of significant changes in the colleague population and the management team, where we are on our transformation journey, alongside cost of living pressures and adapting to new ways of working post pandemic, the outcome was not unexpected and the Committee noted management plans to address this.
Governance – effective controls and processes	Improvement in control environment, processes, risk management and assurance actions.			Strong progress made	Below stretch	Very strong progress across audit actions, significant improvement in controls and risk effectiveness and positive interaction with our regulator.
Overall assessment	The Committee concluded that the CEO had achieved strong delivery and contribution to performance and strategic direction against a challenging market environment, guided by vision, talent and a strong set of values. He should also be commended for building a strong Executive team and leading them to shape HL's transformational strategy. The outcome reflects weightings on this as well as excellent stewardship of improvement in controls and risk effectiveness and notable progress in gender diversity statistics, in particular female pipeline. The Committee also noted his visible sponsorship of diversity and inclusion.					
						Overall achievement: 15% out of 20% weighting

Amy Stirling

Personal (20% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Environmental – assess and develop the footprint of HL, agree with the Board steps to help clients be responsible investors and understand the footprint of their investment portfolio.	Progress towards responsible business, responsible fund manager and responsible investment and savings provider.			Good progress made	Above target	Significant progress made towards implementing the ESG strategy across: 1. Responsible Business – Continued progress towards becoming a net zero business through increasing the efficiency of our building operations and investing in greener transport options for colleagues. 2. Responsible Fund Manager – Assessed the carbon footprint of our portfolio to progress plans in FY23 for our net zero commitments and on track to launch ESG integrated building block and portfolio funds. 3. Responsible Investment and Savings provider – Launch in FY22 of Responsible Investment Hub and new ESG investment policy, and increased the number of research articles reflecting consumer interest trends.
Social – agreement of the Strategic and Financial plan and delivery of FY22 plan. Investor outreach post Capital Markets Day.	Effective management of the strategic plan and positive engagement with shareholders.			Excellent progress and results	Stretch	Significant impact in delivery of the FY22 plan, with strong approach to cost control. Outstanding stewardship of the strategic plan and focus on FY23 priorities with the Executive team. Excellent outreach and dialogue with investors to articulate the commercial and financial strategy.
Social – diversity	Progress towards 2025 gender and ethnicity targets.			Good progress made	Above target	Material progress evidenced through improvements in gender diversity and the gender pay gap. Women in Finance Charter data shows that we have improved representation of women at senior management level from 30.4% in August 2020 to 31.5% in August 2021. Female representation has increased 44% on the Group Executive Committee. Our 2022 colleague survey response to 'HL Values and promotes colleague diversity and inclusion' was 83% favourable (up from 72% in 2021). In addition, clear progress has been made in addressing broader inclusion and diversity, including ethnicity diversity. Building on meeting the requirements of the Parker review, the Committee noted (amongst other initiatives) the launch of HL's largest internship programme, with 10 interns coming through programmes which specifically focus on Black, Asian and Minority Ethnic students.
Social – colleague engagement	62%	66%	70%	64%	Below target	Colleague engagement fell below target and slightly behind last year's score (when it peaked) and sits alongside some strong scores in culture and also manager engagement. Taking account of significant changes in the colleague population and the management team, where we are on our transformation journey, alongside cost of living pressures and adapting to new ways of working post-pandemic, the outcome was not unexpected and the Committee noted management plans to address this.
Governance – effective controls and processes	Improvement in control environment, processes, risk management and assurance actions.			Strong progress made	Below stretch	Very strong progress across audit actions, significant improvement in controls and risk effectiveness and positive interaction with our regulator.
Overall assessment	The Committee concluded that the CFO has made an outstanding contribution to the business since joining, whilst also showing excellent leadership in engaging with investors and stakeholders to articulate the commercial and financial plan. The CFO has created a step change in the planning process and demonstrated a strong set of values, leadership and talent and the outcome also reflects weighting on strong improvements in internal processes and governance in particular.					

Overall achievement: 16.5% out of 20% weighting

Philip Johnson

Personal (20% weighting)	Threshold	Target	Stretch	Actual	Achievement	Commentary
Environmental – assess and develop the footprint of HL, agree with the Board steps to help clients be responsible investors and understand the footprint of their investment portfolio.	Progress towards responsible business, responsible fund manager and responsible investment and savings provider.			Good progress made	Above target	Significant progress made towards implementing the ESG strategy across: 1. Responsible Business – Continued progress towards becoming a net zero business through increasing the efficiency of our building operations and investing in greener transport options for colleagues. 2. Responsible Fund Manager – Assessed the carbon footprint of our portfolio to progress plans in FY23 for our net zero commitments and on track to launch ESG integrated building block and portfolio funds. 3. Responsible Investment and Savings provider – Launch in FY22 of Responsible Investment Hub and new ESG investment policy, and increased the number of research articles reflecting consumer interest trends.
Social – investor feedback, impact of engagement with shareholders and evolution of share register	Effective management of the strategic plan and positive engagement with shareholders.			Acceptable progress made	Threshold	Progress was evidenced prior to the date the CFO stepped down from the Board through a combination of individual meetings, conferences and other interactions.
Social – diversity	Progress towards 2025 gender and ethnicity targets.			Good progress made	Above target	Material progress evidenced through improvements in gender diversity and the gender pay gap. Women in Finance Charter data shows that we have improved representation of women at senior management level from 30.4% in August 2020 to 31.5% in August 2021. Female representation has increased 44% on the Group Executive Committee. Our 2022 colleague survey response to 'HL Values and promotes colleague diversity and inclusion' was 83% favourable (up from 72% in 2021). In addition, clear progress has been made in addressing broader inclusion and diversity, including ethnicity diversity. Building on meeting the requirements of the Parker review, the Committee noted (amongst other initiatives) the launch of HL's largest internship programme, with 10 interns coming through programmes which specifically focus on black, Asian and minority ethnic students.
Social – colleague engagement	62%	66%	70%	64%	Below target	Colleague engagement fell below target and slightly behind last year's score (when it peaked) and sits alongside some strong scores in culture and also manager engagement. Taking account of significant changes in the colleague population and the management team, where we are on our transformation journey, alongside cost of living pressures and adapting to new ways of working post pandemic, the outcome was not unexpected.
Governance – effective controls and processes	Improvement in control environment, processes, risk management and assurance actions.			Good progress made	Above target	Good progress within the time period across audit actions and improvements in controls and risk effectiveness.
Overall assessment	The Committee concluded that the CFO had made a valued contribution in the time period before stepping down from the Board, and thank him for his support during this time, and his support to the new CFO.					
						Overall achievement: 11% out of 20% weighting

Overall assessment and bonuses awarded for the financial year (1 July 2021 to 30 June 2022)

The Committee considered all of the above (including assurance against environmental, social and governance risk factors) in making their bonus determination for Chris Hill, Amy Stirling and Philip Johnson for the 2022 financial year.

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 Group 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 (as discussed in the Remuneration Committee Chair's letter).

The Committee concluded that the bonus outcomes for Chris Hill, Amy Stirling and Philip Johnson reflect Company performance, effective management of costs, risks and governance, together with a strong focus on the strategic transformation plans. The Committee has also appropriately reflected the individual performance, contribution and behaviours in line with Company values.

The resulting bonuses determined by the Committee for the year ending 30 June 2022 are set out below: (Audited)

	Cash £'000	Deferred £'000	Total £'000	% of maximum
Chris Hill 2021	1,175	783	1,958	86%
Chris Hill 2022	578	385	963	37%[1]
Philip Johnson 2021	785	523	1,308	81%
Philip Johnson 2022	170	114	284	28%[2]
Amy Stirling 2022	143	95	238	36%[3]

Notes

1 Having applied the performance outcome to the CEO's bonus opportunity (on a straight-line basis), this results in a bonus of 138% of salary which is 37% of his maximum opportunity.

2 Having applied the performance outcome to the prior CFO's (Philip Johnson) bonus opportunity (on a straight-line basis), this results in a bonus of 99% of salary earned over the performance period (1 July 2021 to 31 January 2022) which is 28% of his maximum available opportunity and 17% of the policy maximum.

3 Having applied the performance outcome to the CFO's (Amy Stirling) bonus opportunity (on a straight-line basis), this results in a bonus of 127% of salary earned for FY22 which is 36% of her maximum available opportunity and 13% of the policy maximum.

Deferral of annual performance bonuses

40% of the annual performance bonus is subject to compulsory deferral into nil-cost options over shares which vest in equal tranches over 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 after their respective vesting date provided they remained employed by the Group at exercise.

Assessment of 2017 Sustained Performance Plan (SPP) Awards (1 July 2017 to 30 June 2022)

The Committee assessed the achievement of the following underpinning performance conditions over a period of five financial years as follows:

Condition	Achievement
The average assets under administration (as determined by the Board) for the complete Financial Year prior to Vesting exceeds the average assets under administration (as determined by the Board) for the Financial Year immediately before the beginning of the Performance Period.	Fully met (FY17 average AuM: £71.8m, FY22 average AuM: £135.1m)
The Board determines that a satisfactory risk, compliance and internal control environment has been maintained during the Performance Period.	Fully met Management has driven significant and continued improvement
The Board determines that the Participant's personal performance has been satisfactory during the Performance Period.	Fully met for all participants

The Committee concluded that all underpinning performance conditions were fully met and therefore they were satisfied that the awards should vest in full. (Audited)

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 set out on page 81 of the 2020 Report and Financial Statements.

Share awards made during the year ending 30 June 2022 (audited)

Name of Director	Type of award	Market value of maximum award at date of grant £	Exercise price £	Share price on day of grant[5] £	Number of shares over which the award was granted[5]	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]	324,000	Nil cost option	14.29	22,673	323,997	323,997	n/a	1 July 2021 to 30 June 2024
	Deferred bonus[4]	783,237	Nil cost option	14.29	54,810	783,235	783,235	n/a	n/a
Philip Johnson	Deferred bonus[4]	523,257	Nil cost option	14.29	36,617	523,257	523,257	n/a	n/a

Notes
1 Face value is calculated as the share price at grant date (being 20 September 2021) multiplied by the number of options granted.
2 Fair value is calculated as the difference between market value and the exercise price at the original date of grant.
3 Awards under the SPP were granted on 20 September 2021 as nil cost options, at 50% of base salary subject to the achievement of underpinning performance conditions assessed over a three-year performance period. The awards, once vested, will be subject to a two-year retention period. 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.

4 Awards under the deferred bonus were granted at 40% of bonus as nil cost options. The aggregate exercise price for awards under the deferred bonus scheme is £1 and awards were granted on 20 September 2021.
5 The number of shares to be awarded is calculated by reference to the average of the mid-market value of HL shares on the three days preceding the date of award.

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, 22.6% of the Group's employees owned shares in the Company. The CEO opted to participate in the 2020 cycle of the SAYE scheme and the CFO opted to join the 2022 cycle.

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 2021	Beneficially owned at 30 June 2022[1]	Outstanding share options subject to continued employment arising from SAYE scheme	Outstanding share options subject to continued employment arising from deferred bonus	Outstanding share options 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 2022	Shareholding guideline (multiple of base salary)	Shareholding as a multiple of base salary achieved at 30 June 2022	Shareholding guideline met[2]
Chris Hill	51,639	67,908	1,547	54,421	71,678	30,699[3]	9,810[4]	Three Times	149%	No
Amy Stirling	0	9,126	2,227	0	0	0	0	Three Times	14%	No
Philip Johnson[5]	40,348	49,889	0[6]	37,184	34,703	18,004[3]	6,949[4]	Three Times	151%	No

Notes
1 Includes shares held by the Executive Directors and their connected persons.
2 Unaudited – at present the Executive Directors have not currently met their shareholding guideline. As the CFO only joined this financial year, she will continue to build her shareholdings during the relevant time period. It is noted that the CEO has not yet achieved the guideline level, which is largely attributable to the recent reduction in share price. The Committee has reflected upon this accordingly and determined it was appropriate to allow additional time to achieve the guideline. This approach will be reviewed over the coming year.
3 Options exercised granted under 2018 Deferred Bonus Plan. The market value at the date of exercise was £14.20 per share and the option exercise price in aggregate was £1.00.
4 This relates to options awarded under the Sustained Performance Plan (SPP) granted in November 2017 and which have been assessed by the Committee to vest in full and are included since, as at 30 June 2022, they are no longer subject to performance conditions.
5 Philip Johnson's share interests are shown as at 31 May 2022, being the date he left the Company. Following his departure, Philip Johnson's continuing interest in performance shares have been pro-rated to the period he was employed during each performance period. SAYE options lapsed upon cessation of employment.
6 SAYE options lapsed upon cessation of employment.

All Executive Directors are subject to post-cessation shareholding requirements. See page 100 for details on Philip Johnson's termination arrangements.
There has been no subsequent change in Executive Directors' shareholding and share interests as of 4 August 2022.

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 Executive Directors and employees. The Company requires a minimum employee contribution of 5% of reference salary and in exchange the Company will contribute 5%. Employees who contribute up to 3% more than the 5% receive double matching. This means that for an 8% employee contribution the Company contribution is 11%.

Colleagues 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.

Additionally the Group has introduced a pension redirection mechanism from July 2020 where colleagues who have maximised their pension tax relief can contribute, on a post-tax basis, to a Fund & Share Account and continue to receive matching in the same way as the current pension matching, up to a maximum 11% employer contribution, net of appropriate taxes. Where a colleague, who has maximised their pension tax relief 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 Executive 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/loss of office

As announced on 29 July 2021, Philip Johnson stepped down from the Board as Chief Financial Officer on 31 January 2022 for personal reasons. In order to ensure an orderly handover of responsibility, it was agreed that Philip would remain available to assist the business up to the end of his notice period and he left the Company on 31 May 2022. He continued to receive his salary and contractual benefits up to this date. In line with the shareholder approved Remuneration Policy, the Remuneration Committee approved good leaver status for Philip in relation to his outstanding deferred bonus and SPP awards. Accordingly, his unvested SPP awards will vest on their original vesting dates to the extent that performance conditions are met. His deferred bonus awards will also vest in full and in accordance with their original time frames. Unvested awards will remain subject to the terms of their plan rules and to malus and clawback provisions. For the FY22 annual bonus, Philip was eligible to receive a pro-rated bonus for the period worked during his notice period. The award was determined in line with the bonus framework set out in the 2021 Directors' Remuneration Report and further details of the performance assessment are provided on page 97. In accordance with the Remuneration Policy, the award will be subject to deferral and released at the normal time.

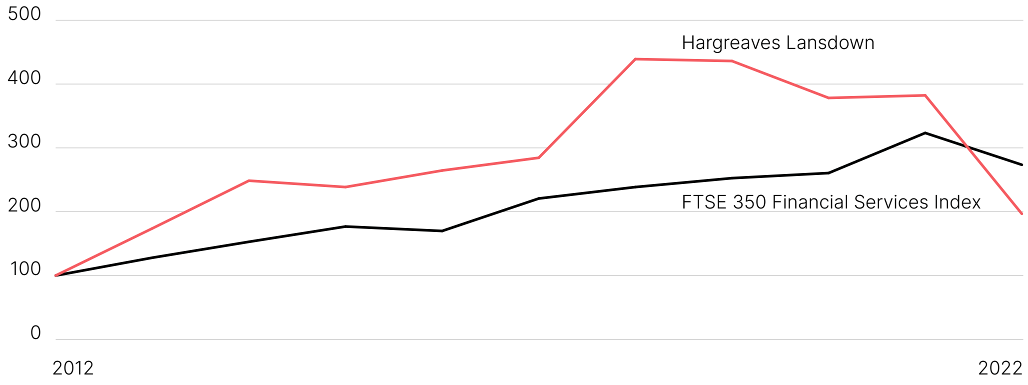
As Philip had not reached his in-employment shareholding guideline at the point of departure, he is currently required to retain a shareholding equal to the number of shares actually held on departure for twenty-four months post-cessation. His shareholding during this period will be monitored by the Company, and shares may only be sold with the prior consent of the Board Chair or by compulsory purchase. There were no further payments made for loss of office.

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 last 10 years.

This chart shows the value of £100 invested in the Company on 1 July 2012 compared with the value of £100 invested in the FTSE 350 Financial Services Index for each of our financial year ends to 30 June 2022. 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 10-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[4]
2013	Ian Gorham	£6,751,557	(£1,500,000)[3]	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[1]/Chris Hill[2]	£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
2021	Chris Hill	£2,678,581	86% (£1,958,092)	nil
2022	Chris Hill	£1,902,406	37% (£963,375)	100%

Notes
1 Emoluments for Ian Gorham for 2017 are shown for the period to 9 February 2017 when he stepped down as Chief Executive Officer.
2 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.
3 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.
4 Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria. The 2017 SPP award was assessed to vest at 100% based on assessment of performance conditions over the performance period 1 July 2017 to 30 June 2022.

Percentage change of all Directors and all employees

The table below shows the average percentage change in remuneration of each Executive and Non-Executive Director against the Group's employees as a whole for the last three years, between the year ended 30 June 2020 and the year ended 30 June 2021, and between the year ended 30 June 2021 and the year ended 30 June 2022.

			Executive Directors (% change)			Non-Executive Directors (% change)							
Element of pay		Average employee (% change)[1]	C Hill	A Stirling[2]	P Johnson	D Oppenheimer	J Troiano	M Mannings	A Blance	A Collins	R Perkin[5]	D Olley	P James[2]
Base Salary	2022	6.59%	8.02%	–	4.03%	0%	1.92%	27.01%	31.99%	55.15%	-2.30%	2.99%	–
	2021	6.85%	2.86%	–	2.91%	2.92%	103.64%	–	–	–	11.33%	2.86%	
	2020	6.41%	2.9%	–	2.9%	0%	–	–	–	–	4.3%	0%	
Benefits	2022	-11.13%[7]	0%	–	0%								
	2021	-7.15%	-78.72%[3]	–	-86.08%[3]	-100%[4]	-100%[4]	–	–	–	-100%[4]	-100%[4]	
	2020	2.82	0%	–	366%	–	–	–	–	–	–	–	
Annual Bonus	2022	-6.7%	-50.82%	–	-78.29%								
	2021	0.8%	-5.50%	–	-9.78%	N/A	N/A	–	–	–	N/A	N/A	N/A
	2020	11.8%	–	–	–	N/A	N/A	–	–	–	N/A	N/A	N/A

Notes
1 This table shows the average percentage change in salary, benefits and bonus (on a full-time equivalent basis) delivered to eligible colleagues in the last three years.
2 The table includes Penny James who was appointed as a Non-Executive Director on 1 September 2021 and Amy Stirling who was appointed as an Executive Director on 21 February 2022. It is therefore not possible to reflect a percentage change figure.
3 The decrease in benefits for C Hill and P Johnson is due to the exclusion of the SAYE discount value over the full three-year contract term which was reported last year (in accordance with the single figure methodology).
4 As there were no taxable expenses reimbursed for the Non-Executive Directors for the 2020/21 performance year, it is not possible to show the percentage change to the 2021/22 performance year.
5 As Roger Perkin stepped down as interim SID on 31 August 2021, total base salary has decreased.
6 This table includes Philip Johnson who stood down an Executive Director on 31 January 2022.
7 The decrease in average taxable benefit percentage change is due to an increased number of employees but no increase to benefit take-up, and rates remained the same.

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 last three years compared to the total remuneration received by our UK colleagues. For the past three years, we have published our CEO pay ratio 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	n/a
2021	Option A	101:1	73:1	47:1	0%
2022	Option A	73:1	52:1	32:1	-29%

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 2022 for colleagues employed at 30 June 2022.
2 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.
3 'Option A' was chosen from the options available in the reporting regulations since it is the most robust and statistically accurate method.
4 Benefits are provided on the same terms to Executive 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 2020 and 2021.
5 Set out separately in the table below is the basic salary and total remuneration figures (including bonus) for each of the percentiles in each year.
6 2020 and 2021 calculations have been included to allow for a relative comparison of the 2022 outcomes to be evaluated.

Year	Pay element	UK employee lower quartile	UK employee Median	UK employee upper quartile
2021	Basic salary	21,600	28,619	45,000
	Total remuneration	26,422	36,796	57,055
2022	Basic salary	21,890	28,500	46,428
	Total remuneration	25,973	36,497	58,977

The pay ratio has reduced due to the impact of business performance on the CEO's bonus award. 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 remuneration policies and practices at HL are consistent across both our Executive Directors and the wider workforce and are designed to promote the long-term success of the Company, promoting both high individual and team performance. The same considerations and criteria apply across a consistent framework during the assessment of performance and pay outcomes, noting that the quantum of (risk-based) variable pay is higher for the CEO than across the wider workforce.

Having overseen the application of performance and pay policies, and reviewed reports from the Reward Governance Committee and Colleague Forum throughout the period, the Committee is satisfied that our 2022 median pay ratio is consistent with the Company'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)
2022	241.1	269.2	155.5	39.7p
2021	263.5	366.0	119.8	50.5p
% change	-8.5%	-26.4%	29.8%	-21.4%

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 employed on or before 1 April of the performance year are considered for an annual performance bonus, or equivalent, with individual performance metrics used to determine awards and similar metrics to those used for the Executive Directors guiding the overall bonus pool. All eligible employees (under the rules of the scheme) may also participate in the Group's Save As You Earn.

External Directorships of Executive Directors in the year

On appointment, Amy Stirling held two non-executive directorships. She stepped down from RIT Capital Partners Plc on 4 May 2022 and from Virgin Money UK Plc on 5 May 2022 as a result of her appointment to the HL plc Board.

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 2022 financial year are as follows:

Fee policy

	Fees from 1 July 2022 (£ p.a.)	Fees from 1 July 2021 (£ p.a.)
Chair	£334,500	£334,500
Base fee for Non-Executives	£74,150	£74,150
Senior Independent Director	£15,850	£15,850
Chair of Audit Committee	£21,100	£21,100
Chair of Remuneration Committee	£21,100	£21,100
Chair of Risk Committee	£21,100	£21,100
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 not been increased this year.

Remuneration payable for the 2021 financial year (1 July 2021 to 30 June 2022) (audited)

The remuneration received by Non-Executive Directors in 2022 is set out below.

	2021 fees (£)	2021 Taxable Benefits i.e. expenses (£)[4]	2021 Total (£)	2022 fees (£)	2022 Taxable Benefits i.e. expenses (£)	2022 Total (£)
D Oppenheimer	334,500	–	334,500	334,500	28,100	362,600
S Garrood[1]	53,950	–	53,950	–	–	–
F Clutterbuck[2]	30,833	–	30,833	–	–	–
S Robertson[2]	39,833	–	39,833	–	–	–
R Perkin	100,200	–	100,200	97,892	1,008	98,900
D Olley	72,000	–	72,000	74,150	905	75,055
J Troiano	112,000	–	112,000	114,150	1,242	115,392
A Blance	72,166	–	72,166	95,250	3,986	99,236
M Mannings	74,992	–	74,992	95,250	2,109	97,359
A Collins	47,793	–	47,793	74,150	1,012	75,162
P James[3]	–	–	–	75,000	1,102	76,102

Notes
1 Stood down 31 December 2020.
2 Stood down 31 October 2020.
3 Joined 1 September 2021.
4 No expenses were claimed during the year due to ongoing travel restrictions as a result of COVID-19.

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 2022; the Company shares held by the Non-Executive Directors and connected persons:

	Shares
D Oppenheimer	30,572
M Mannings	Nil
A Blance	Nil
A Collins	Nil
R Perkin	Nil
D Olley	Nil
J Troiano	14,400
P James	Nil

Note
1 There has been no subsequent change in current Non-Executive Directors' shareholdings as of 4 August 2022.

Non-Executive Directors' Service Contracts

Details of the Non-Executive Directors' terms of appointment are set out below

	Commencement of appointment	Date of contract	Expiry/review date of current contract
D Oppenheimer	2 February 2018	2 February 2021	1 February 2024
M Mannings	1 September 2020	1 September 2020	31 August 2023
A Blance	1 September 2020	1 September 2020	31 August 2023
A Collins	2 November 2020	2 November 2020	1 November 2023
R Perkin	1 September 2017	1 September 2020	31 August 2023
D Olley	1 June 2019	1 June 2022	31 May 2025
J Troiano	1 January 2020	1 January 2020	31 December 2022
P James	1 September 2021	1 September 2021	31 August 2024

Non-Executive Directors are appointed for a three-year term, subject to confirmation by shareholders at the following annual general meeting (AGM) and annual re-election at each subsequent AGM.

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 Company'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 or its implementation, 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.

We will be engaging again with our major shareholders during the forthcoming financial year to hear reflections on our approach to executive remuneration.

Implementation of the Remuneration Policy in 2022/23 – Executive Directors

Salary

The Executive Directors' base salaries were reviewed in June 2022. 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.

In accordance with the two-stage salary proposal set out to shareholders in 2021, the Committee has determined it remains appropriate to award the CEO the second of this two-stage salary increase of 4.3% for 2022/23. This increase is lower than the wider workforce average.

The CFO was appointed in February 2022. In determining her remuneration package, the Committee took into consideration the calibre of the candidate and the experience she brings to the role. As a result, her salary was set at £525,000.

Given her time in role, the Committee has determined that no salary increase will be awarded for 2022/23.

Name of Director	Salary as at 1 July 2021 (£)	Salary as at 1 July 2022 (£)	% increase
Chris Hill	700,000	730,000	4.3%
Amy Stirling	n/a	525,000	0.0%

Annual bonus

At the Capital Markets Day in February, we set out our strategic plan to transform the savings and investment experience, combine the best of human expertise augmented by digital capability, and deliver a uniquely personalised service to management of our clients' health and wealth.

Delivery of the strategy will be focused around five strategic pillars with the management team setting out their priorities against these pillars each year. The committee has therefore determined that it would be more appropriate to align the assessment of annual bonus awards against the strategic pillars whilst maintaining a strong focus on financial performance (55% across profit before tax, underlying costs, total clients and net new business).

The performance assessment will include the following measures:

Weighting	Strategic Pillar	Shared Objective	Measure
20%	Growth	Develop our client proposition to retain and attract clients and accelerate our growth.	Net New Business (NNB)* (10%) Total Clients* (10%)
27.5%	Client Service and Efficiency	Improve our client experience efficiently enabling us all to add more value and reduce our costs.	Client Service NPS (10%) Underlying Cost* (17.5%)
25%	Digital Backbone	Use new tech and data to improve our client and colleague proposition, becoming product led to empower us all to innovate.	Strategic Delivery (20%) Client Retention (5%)
5%	People and Culture	Make HL a great place to work for everyone with clear ways of working, joined up thinking and a focus on our own development.	Colleague engagement and Diversity (2.5%) ESG (2.5%)
22.5%	Foundations	Work together to improve our resilience as a business, support our growth, drive efficiency and embrace lessons learned.	Profit Before Tax (Statutory)* (17.5%) Risk and Controls (5%)

* These are financial or growth measures and make up 55% of the overall performance assessment.

The assessment of any award will include an overlay that takes account of the conduct, behaviours and culture evidenced by each Executive Director in line with the Hargreaves Lansdown values.

Risk and compliance considerations will also be taken into account at both Company and individual levels.

In addition, 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.

Targets have been set at the start of the financial year based (where applicable) on agreed operating plan and taking account of consensus. 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 Annual Remuneration Report next year.

Strategic report
Governance
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Other information

As referred to on page 92, the maximum bonus opportunity for the CEO was increased to 400% of salary which was approved by shareholders at the 2020 AGM. The Committee agreed that this increase would be introduced in phased increments, with the on-target opportunity also reducing to 50% of maximum over the life of the policy.

For 2022/23, in line with the Remuneration Policy, the following on-target and maximum bonus opportunities will therefore apply:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	200%	400%
Amy Stirling	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 equal tranches over a period of three years, subject to continued employment and relevant post-vesting retention period.

In line with the policy, 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 of the 2020 Report and Financial Statements.

Sustained Performance Plan (SPP)

For 2022/23, each Executive Director is to 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, 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 and continued management focus to improve risk, compliance and internal control environment across the performance period; and
- Satisfactory personal performance throughout the performance period.

The Committee will review performance against these underpinning conditions in the round, giving due consideration to market movements, client and shareholder experience, 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. The Committee retains discretion to make adjustments to the vesting outcome if it is not considered to be appropriate taking into account overall financial and non-financial performance of the business over the period or share price performance including consideration of any windfall gains arising and any other significant events which may have impacted the Company's share price or the market as a whole.

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 a two-year holding period and clawback until the end of this 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 of the 2021 Report & Financial Statements.

Statement of voting at the AGM

At the AGM held in 2021, votes cast by proxy and at the meeting in respect of the Directors' remuneration report 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	393,010,235	95.52	18,443,239	4.48	411,453,474	46,945	411,500,419
Approve Directors' Remuneration Policy	386,802,133	96.30	14,850,824	3.70	401,652,957	1,516,450	403,169,407

We will be reviewing the remuneration policy in advance of submitting to shareholders at the 2023 AGM, three years since shareholders approved the policy in 2020.

Moni Mannings
Chair of the Remuneration Committee

4 August 2022

SIGNIFICANT AND POSITIVE CHANGE

Attendance at Committee meetings during the year to 30 June 2022

Member	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	• • • •	• • • •
Andrea Blance	Independent Non-Executive Director	• • • •	• • • •
Penny James	Independent Non-Executive Director	• • • •	• • • •
Moni Mannings	Independent Non-Executive Director	• • • •	• • • •
Roger Perkin	Independent Non-Executive Director	• • • •	• • • •

Committee meeting attendance shown for all scheduled meetings during the year noting that on occasion ad-hoc meetings also took place to deal with timely matters.

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 has overseen another year of significant and positive change both at Board level and within the Group's senior management. The Committee continues to ensure that there is alignment with the Group's overall Strategy resulting in oversight of a number of high calibre appointments.

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. Our recruitment during the year demonstrates the effectiveness of the processes we have implemented.

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. Other areas of responsibility covered by the Committee are detailed over the following pages.

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.

> The Group's objective is to build a diverse workforce at all levels and create an inclusive culture for all.

Deanna Oppenheimer
Chair of the Nomination Committee

Composition and meeting attendance

At the date of this report, Committee members are Deanna Oppenheimer (Chair), Andrea Blance, Penny James, Moni Mannings and Roger Perkin, each of whom are independent Non-Executive Directors. With the exception of Penny James, who has been a member since her appointment in September 2021, all have been members throughout the period under review. 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 and annual re-election at the AGM by shareholders. The Board regularly reviews the composition of the Committee and makes appointments accordingly. →

The Committee held four scheduled meetings in the period under review. The attendance of members is set out in the table on page 107. Other individuals attend Committee meetings at the request of the Committee Chair and 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.

Committee activities during the period under review

Succession planning

The Committee has responsibility for ensuring appropriate succession planning for both the Board and the Group's senior management. During the year the Committee has:

- Worked with external advisers to focus on succession planning for the Executive Director roles.
- Further developed the succession planning and talent pipeline for members of the Executive Committee who hold Senior Manager Functions (SMFs) to ensure there is increased resilience in these key areas.
- Taken account of key drivers such as recommendations from Board evaluations, feedback from meetings with key stakeholders including the FCA, investors, the Committee's own reviews of Board size, structure and composition, and developments in corporate governance good practice.
- Actively considered mechanisms for staggering Board tenure to manage evenly the distribution of change amongst the Board.
- Received and reviewed reports on short-term contingency planning to prepare for unexpected periods using existing talent. This has comprised of an 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 size, structure and composition (incl. skills matrix)

During the year the Committee has:

- Regularly reviewed the size, structure and composition of the Board, as well as conducting annual reviews of the composition of its Committees. This resulted in John Troiano being appointed to the Remuneration Committee, to increase its resilience. His extensive industry experience will be particularly beneficial in the functioning of this committee – particularly with the introduction of the Investment Firms Prudential Regime (IFPR).
- Considered 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.
- Reviewed the detailed skills matrix to aid it in identifying the present and future needs of the Board, taking into account findings of the Board Effectiveness Review to help identify the skills and expertise needed in future Board members.
- Enhanced the recognition given to skills acquired outside the corporate board environment and refined the analysis of ESG skills to ensure better alignment with the needs of the Group.
- Taken an active role in considering the development of talent and balance of skills within the Group's subsidiary boards.

Board induction and training

- The Board recognises that the breadth and depth of knowledge and experience required for the boards of listed companies continues to expand.
- Newly appointed Directors receive robust induction and training. Further details are provided on page 72.
- Directors attend 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, and have access to bespoke training events for individuals based on specific development needs, background or changing roles. For example, this has included detailed ICARA training for Risk Committee members.
- 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.
- Details of the training provided to the Board during the period under review are provided on page 72.

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 inclusion and diversity policy supports this by making clear the Group's aspirations and commitment to inclusion and diversity, and by defining the roles and responsibilities that will support it in attaining its objectives. The Group's inclusion and diversity strategy outlines the priority areas of focus which are currently:

- To build a culture of inclusion where colleagues feel safe, respected and like they belong.
- To increase ethnic minority representation, recognising the need to accelerate progress in this area to better align to the local demographic.
- To maintain our commitment to increase female representation and close the gender pay gap.

During the period, the Committee reviewed progress against the Group's inclusion and diversity strategy and action plan including a number of key achievements details of which can be found on pages 26 to 30 of the Strategic Report.

Gender balance

The Board continues to 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 2022, the Board numbered ten in total, five of whom are women with three of the four senior Board positions (defined as Chair, Senior Independent Director Chief, Chief Executive Officer and Chief Financial Officer) being held by women. →

The Board is proud to have met the targets set out in the revised Listing Rules (LR 9.8.6R(9) and LR 14.3.33R(1)) which came into force on 20 April 2022 and has revised its Diversity Policy to take account of these targets. The Board recognises that there is always more to do with regards to diversity in all its elements and continues to focus on promoting 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 inclusion and diversity. As at 30 June 2022, female representation across the Group's senior management (as per the Code definition) was 37.5%. 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). If administrative staff are removed then female representation across 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) was 33.3%. Further information on how the Group is seeking to promote diversity can be found on page 27 of the Strategic Report.

Ethnic diversity

The Committee is pleased to report that the Company continues to meet the recommendation from the Parker Review that there should be at least one Director of colour on the Board by 2021. During the period under review, the Committee implemented new ethnicity targets and embedded them into the senior leadership team's personal objectives. The launch of the Strive programme, participation in the 10,000 Black interns programme, our award-winning involvement in the Stepping Up programme alongside our ongoing support for St Pauls Carnival, all help to promote HL as a potential employer to a more diverse slate of candidates, alongside the continuation of internal mentoring and sponsorship initiatives. For more information about the Group's approach to ethnic diversity please see the People section on page 27.

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. During the period, an externally led Board evaluation was carried out, facilitated by Independent Audit, an external consultancy with no connection to the Group, who were appointed following a tender process.

In carrying out its review Independent Audit undertook four main strands of work:

- A review of board and committee papers.
- Interviews with all members of the Board, the Group Company Secretary, members of the executive team and external advisors.
- Observation of Board Committee meetings in June 2021.
- The drafting of a report with quality assurance by an independent individual from within Independent Audit which was then shared with the Chair of the Board before being presented at the August 2021 Board meeting.

Key priorities and outcomes from the 2021 external evaluation, identified in Independent Audit's report included the following:

- Oversight of management. Further strengthening senior management within the Company to ensure a full complement of skills with clarity over accountabilities and areas of responsibility.
- Strategy. Oversight of the development of a revised Group Strategy with deep dives into key areas such as product, pricing and services to support thinking. The need for clarity of targets and milestones to track execution was also identified with the importance of supporting papers highlighted.
- Risk. Continued oversight of the development of the Risk Function and the Risk & Control Framework and the need to hold the First Line to account within this framework.
- Subsidiary governance. It was suggested that the Group's structure be reviewed to identify opportunities for streamlining and clarification of responsibilities.
- Other. A number of other suggestions were made in relation to the number of Board meetings per year and the size of the Company Secretariat Team to support the Group's governance.

The report also recognised that there had been much positive change since the last externally led review with the Board having undergone a substantial refresh and strengthening of the Executive Team. Independent Audit also highlighted that the Board and Committees worked effectively together, with the Board being well chaired and embodying HL's positive culture.

During the period under review, the Committee has overseen the implementation of recommendations relating to its effectiveness from the externally facilitated 2021 evaluation. This has included increasing the clarity of roles, responsibilities and governance within the organisation, which has supported the development of the revised Strategy and associated execution plans to improve effective Board oversight of the Executive.

Approach to recruitment

The Committee leads the process for appointments to the Board other than for the Nominated Director (Adrian Collins) whose appointment nonetheless requires Board approval. It uses the output of its detailed succession planning, contingency 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 (other than for the Nominated Director), 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 is that recommendations for appointments are based on merit against objective criteria, and that the best candidates are put forward for consideration. Such criteria will usually include, but is not limited to: previous experience within financial services experience in a regulated environment, consumer business being preferred; a track record of success in a senior leadership role of a substantial company; prior non-executive director experience or equivalent; strong regulatory relationships and understanding of key themes and trends; experience of large scale transformation programmes – specifically relating to technology; and the ability to contribute broadly at a strategic and commercial level.

The Committee recommends its preferred candidate to the Board for approval. →

Search for a new independent Non-Executive Director

During the period under review, the Committee carried out a detailed search for one new Non-Executive Director (with the search for Penny James having been carried out in the previous reporting year). The focus of this search was to further build resilience into the membership of the Board's Committees and aid succession planning.

The Committee engaged the Lygon Group, an independent external search agency who are signatories to the Voluntary Code of Conduct for Executive Search Firms, to assist with the search.

Following a rigorous process involving initial interviews with a range of potential candidates, Darren Pope 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 Company was pleased to announce the appointment of Darren Pope as Non-Executive Director with effect from 1 September 2022. He will also join the Board's Audit and Risk Committees from the same date as Audit Chair designate.

Search for a new Executive Director

Following a rigorous process involving initial interviews with a range of potential candidates, Amy Stirling 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 Amy's appointment to the Board. Amy was appointed as Executive Director with effect from 21 February 2022. The Committee engaged Spencer Stuart, an independent external search agency who are signatories to the Voluntary Code of Conduct for Executive Search Firms, to assist with the search.

Director independence, time commitment and re-election

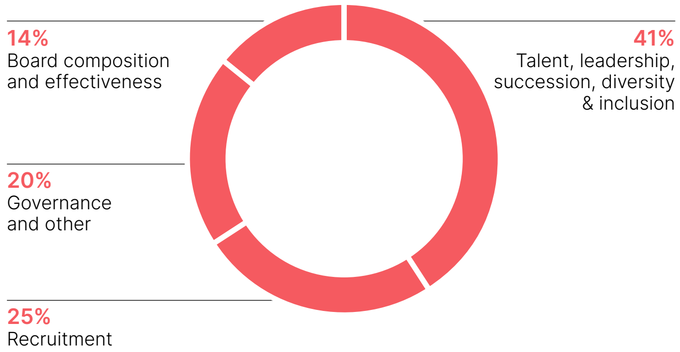
The Committee conducted its annual review of the independence of the Non-Executive Directors, and time commitments of the Directors generally, at its June meeting. In reviewing the independence of the Non-Executive Directors, the Committee considered in detail whether any circumstances have arisen, including 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 other than the Nominated Director to be independent under the provisions of the Code. As an appointee of a shareholder, the Nominated Director is not considered to be independent but he is considered to be a valuable addition to the Board because he provides a link to Peter Hargreaves' experience as well as his own wealth of experience in the fund management industry. The Nominated Director does not sit on any of the Committees and given that the majority of the Non-Executive Directors are independent, the Committee considers this adequately compensates for any potential imbalance that may arise from the presence of the Nominated Director.

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 Senior Management Arrangements, Systems and Controls (SYSC), 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. In addition to each Non-Executive Director's current responsibilities, the Chair has reviewed and discussed plans and timing for adding new or deleting current responsibilities to ensure each individual's time commitment remains consistent.

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 each of the Directors is put forward for election or re-election at the 2022 AGM as appropriate.

Overview of the Committee's activities in the year to 30 June 2022



Nomination Committee priorities for 2022/23

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

- Succession planning for the Group's Executive Director and ExCo membership with a key focus on further developing a diverse talent pipeline.
- Continuing with the 'evergreen' approach to succession planning at the Board level 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.
- Overseeing the implementation of recommendations from the 2021 external Board evaluation and overseeing the 2022 process.
- Continuing to build a diverse and inclusive workforce.
- Developing the Committee from a Nomination Committee into a Nomination & Governance Committee.

Deanna Oppenheimer
Chair of the Nomination Committee

4 August 2022

CONTINUOUS DRIVE FOR IMPROVEMENT

Attendance at Committee meetings during the year to 30 June 2022

Member	Position	Eligible meetings	Attended meetings
Andrea Blance	Chair	••••••	••••••
Penny James	Independent Non-Executive Director (from 1 September 2021)	•••••	•••••
Moni Mannings	Independent Non-Executive Director	••••••	••••••
Dan Olley	Independent Non-Executive Director	••••••	••••••
Roger Perkin	Independent Non-Executive Director	••••••	••••••
John Troiano	Independent Non-Executive Director	••••••	••••••

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 Group's approach to risk management and how it evaluates and manages the principal risks and uncertainties the Group faces are set out within the risk management section of the Strategic Report.

The Committee has reviewed continued evidence of enhancements to risk management and maturity, particularly in operational resilience. The Committee has also overseen the Group's 2021 Internal Capital Adequacy Assessment Process (ICAAP) and the Group's response to the introduction of Investment Firm Prudential Regime (IFPR).

Role of the Risk Committee

The Board as a whole remains responsible for the Group's risk management and strategy, and for determining an appropriate risk appetite. 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.

The Committee plays a key role in overseeing the management of capital adequacy and liquidity through the ICAAP and from 2022 the Internal Capital Adequacy and Risk Assessment (ICARA). The Committee advised the Remuneration Committee on risk considerations to be taken into account when determining Executive remuneration.

> Strong risk management is central to sustainable performance.

Andrea Blance
Chair of the Risk Committee

This year the Committee has reviewed the Group's updated strategy. The Committee reviewed core mobilisation priorities to ensure scalable growth and noted the planned investment in technology and infrastructure which would enable HL to further support clients. As part of its review of the ICAAP and ICARA capital adequacy documentation the Committee ensured HL has sufficient capital for its future growth strategy.

In October 2021, the main compliance responsibilities were transferred from the Audit Committee to this Committee. The detailed responsibilities are available on the Group's website.

Composition and meeting attendance

As at the date of this report, the members of the Committee are Andrea Blance (Chair), Penny James, Moni Mannings, Dan Olley, Roger Perkin and John Troiano, each of whom are independent Non-Executive Directors. With the exception of Penny James, who has been a member since her appointment in September 2021, all those listed have been members throughout the period under review. Ongoing training is provided to assist Committee members in performing their duties. This year the training included sessions on ICARA and the FCA's new Consumer Duty.

The Committee met six times in the period under review. The attendance of members is set out in the table opposite. Other individuals attend Committee meetings at the request of the Committee Chair. →

Committee activities during the period under review

Risk management framework and risk appetite

- Oversaw the continued strengthening of the risk management framework, including greater use of the Group risk taxonomy and increased integration of emerging and strategic risk analysis in risk profile reporting.
- Reviewed the further development of the risk appetite framework with specific focus on metrics related to strategy.
- Reviewed and challenged the Group's strategic risk appetite statements, which bring together the core risk profile, including strategic, operational and financial risk.
- Supported the strengthening of risk management responsibilities in the operational teams in the first line, to enable the Group's Risk function to further focus on oversight.
- Reviewed and challenged reporting for evidence of continued evolution of risk management in the first line and received assurance on risk management via updates to the risk profile from the Group Chief Risk Officer (GCRO).
- Oversaw the continued improvement of risk management responsibilities via the Risk Transformation Plan to ensure continuous improvement of the Group's risk maturity, aligned to the scale and complexity of an organisation the size of HL.
- Received the annual report from the GCRO on the adequacy and operating effectiveness of risk management, the internal control environment, and risk embedding across the Group.
- Monitored a robust assessment of the principal and emerging risks facing the Group which included those that could threaten its business model, future performance, solvency or liquidity.
- Received regular updates on the status of the Group's risk profile supported by reference to the Board approved risk appetite, reviews of risk and compliance events and status of control effectiveness.

ICAAP/ICARA

- Reviewed and challenged the ICAAP results in December 2021 prior to recommending to the Board for approval. This included the assumptions and scenarios used, including those used to calculate the Pillar 2 capital requirement and the risk assessments aligned to business risks such as regulatory compliance, data management, technology and financial crime.
- Oversaw the introduction of the new IFPR regime including preparation, mapping and delivery of new requirements to the Group's ICARA process regime together with provisional arrangements.

Information security and fraud risk

- Received a report on the current compliance position with respect to GDPR and investments in people, processes and technology as part of the Data Strategy.
- Reviewed an update on IT security and the cyber risk control environment, including a view on the cyber threat landscape in light of the Russian invasion of the Ukraine.
- Received regular updates on enhancement activities within the Group's financial crime framework and controls to enable continued compliance with the legislative requirements and the efficient management of increasing client volumes.
- Considered the annual report from the Money Laundering Reporting Officer (MLRO) which specifically addressed the adequacy and effectiveness of the Group's anti-money laundering and counter terrorist financing systems and controls.

Operational resilience

- Considered areas of focus to deliver compliance with the FCA's policy statement on operational resiliency expectations. Recommended the operational resiliency thresholds for approval by the Board.
- Scrutinised the Group's approach to operational resilience and crisis management planning, including management preparations for tail risk events. Management's response to the conflict between Russia and the Ukraine, enabled the Committee to monitor and oversee the Group's preparedness to emerging risks and stress tests completed as part of the ICARA were considered and challenged as part of understanding possible impacts.

Compliance monitoring

- Received reports from the Compliance Monitoring function on the effectiveness of measures designed to ensure compliance with the Group's regulatory obligations. This included the annual report from the Compliance Director on the adequacy and effectiveness of the Compliance function.
- Oversaw the management review of Compliance effectiveness and the defined enhancement plan to ensure the continuous improvement of Compliance capabilities aligned to the size and complexity of the Group.

Oversight of Risk function

- Reviewed and approved the Group's second line Risk Charter and assurance plan.
- Received regular updates from the GCRO on resourcing and workload, and a detailed report on the operational effectiveness of the function.

Remuneration and risk

- Reviewed the GCRO's paper to the Remuneration Committee relating to risk adjustments to senior management reward based on accountability for risk events. The paper covered the Group, Clients, compliance issues and audit findings.

Disclosures and attestations

The Committee reviewed the Director attestation process which has been refocused to specifically serve the Corporate Governance Code requirement. It also reviewed and approved the disclosures and statements in the Report and Financial Statements relating to risk management.

Systems outages and oversight of lessons learned

During the period under review the Group experienced a brief outage on the Group's platform on 21 December and a brief period of certain holdings not being viewable on the mobile app on 31 January.

Committee members were briefed on the investigations into platform outages in December and January. Lessons have been learned and actions identified to improve change controls to mitigate the risk of similar procedural issues occurring again. →

Risk assessment of updated strategy

The Committee reviewed an independent second line assessment of the updated strategy looking at the target state, the risk profile and planning required to achieve the target state.

Execution risk was scrutinised and the Committee encouraged management to ensure the financial assumptions were robust, the key capabilities were in place and planned for and the focus areas were clearly defined. The Committee has been provided with an update on mobilisation of the strategy and is particularly focused on overseeing the management of any heightened change execution risks.

Risk maturity

The Committee continues to encourage the enhancement of the Group's risk maturity, aligned to the scale and complexity of an organisation the size of HL.

Areas of improvement during the period included improved use of risk data and reporting, the introduction of an enhanced risk taxonomy, continued evolution of the Group's governance structures and horizon scanning to ensure a proactive approach to the management of emerging risks.

The final phase of the Risk Transformation Plan which the Committee will oversee will focus on delivering further maturity in risk management, including implementation of a Group Governance, Risk and Compliance tool. This will support the creation of a single source for risk data, risk events and issues, risk appetite monitoring and reporting.

The reporting and escalation of specific matters or risk events through the GCRO's report enabled the Committee to request reports on areas such as the transfer of investments to assess how management deal with any issues identified, including root cause analysis.

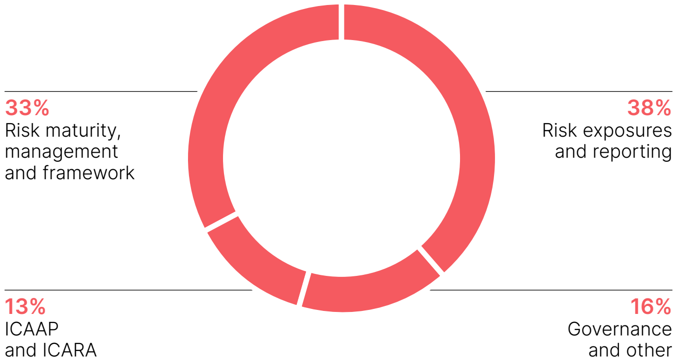
Environmental, Social and Governance (ESG)

HL is managing ESG from a corporate, investment, client and regulatory perspective. HL has enhanced the governance around ESG and in particular with the implementation of a dedicated Task Force and the collation of a dedicated ESG dashboard. The key risks associated with ESG were covered during the year through an assessment of emerging risks that identified key vulnerabilities and their impacts.

Committee performance

The Committee is required to undertake a review of its performance at least annually to ensure it is operating effectively and in line with its terms of reference. This review was undertaken in April and confirmed that activities during the period have been in line with its remit.

Overview of the Committee's activities in the year to 30 June 2022



Risk Committee priorities for 2022/23

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

- Delivering further maturity in risk management and compliance controls;
- Approval of the first full ICARA report under the new IFPR regime;
- Oversight and challenge of the transformation plans to support HL's strategic objectives;
- Ensuring an enhanced change management framework is embedded and governance in place to manage the transformation;
- The Group's response to the FCA's new Consumer Duty; and
- Oversight of the Group's risk management approach to climate risk.

Andrea Blance
Chair of the Risk Committee

4 August 2022

The Directors present their report on the affairs of the Group, together with the audited consolidated financial statements for the year ended 30 June 2022.

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 114 to 117 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 1 to 50 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 37 to 43 of the Strategic Report.

Details of how the Group engages with its key stakeholders, including its shareholders, can be found on pages 24 to 25 of the Strategic Report and on page 66 and 67 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 118 to 121.

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 publicly available can be found in the Chair's Introduction to Corporate Governance on page 62;
- 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 73;
- 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 114 to 117;
- A description of the composition and operation of the Group's corporate governance framework can be found on pages 67 to 69; 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 27 to 30 and 108 to 109.

Information to be disclosed under LR 9.8.4R

Listing Rule 9.8.4R 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 consolidated financial statements on page 148
LR 9.8.4R (13)	Future dividend waiver agreements	Note 3.2 to consolidated financial statements on page 148
LR 9.8.4R (14)	Information regarding controlling shareholder	The Company does not have a Controlling Shareholder. Details of the ongoing relationship with the Company's former Controlling Shareholder can be found under the heading Shareholder Agreement on page 116 →

Share capital structure

The Company's share capital consists of a single class of ordinary shares of 0.4p each. As at 30 June 2022 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 148. 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 2022 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 2021 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 2022 and up to the date of this report. This authority expires at the end of the 2022 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 2021 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 2022 and up to the date of this report. This authority expires at the end of the 2022 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 2022, the EBT Trustee held 424,035 ordinary shares, equating to approximately 0.09% 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 2022, the SIP Trustee held 33,475 ordinary shares, equating to approximately 0.007% 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 2022, 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	93,838,474	19.78%
Lindsell Train Limited	60,568,590	12.77%
Stephen Lansdown	27,087,419	5.71%
Baillie Gifford	23,888,812	5.04%
Blackrock, Inc	35,222,041	7.41%

In the period between 30 June 2022 and the date of this report, the Company received no further notifications. →

Shareholder Agreement

The Company announced on 7 February 2020 that Peter Hargreaves had reduced his shareholding to 24.35% and therefore ceased to be a controlling shareholder of the Company. Peter Hargreaves has since reduced his shareholding further and now holds 19.78%.

In October 2020, the Board announced that in order to reflect Peter Hargreaves' continuing interest in the Company whilst respecting the strong independent governance principles of the Board, the Company had agreed with Peter Hargreaves to enter into a new shareholder agreement (the Agreement) to govern their ongoing relationship. Pursuant to the Agreement, Peter Hargreaves is entitled to nominate one non-independent, Non-Executive Director for appointment to the Board, subject to the applicable regulatory and governance framework that is observed by the Company. Peter Hargreaves exercised this right and Adrian Collins was appointed to the Board on 2 November 2020. This Agreement and nomination right shall remain in place for so long as Peter Hargreaves and his Associates' (as such term is defined in the Listing Rules) control or are entitled to control the exercise of at least 10 per cent of the Company's voting rights.

The Agreement intends to ensure that any transactions or arrangements with him are 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.

Dividends

The Board recommends a final ordinary dividend of 27.44 pence per ordinary share to be paid in respect of the period ending 30 June 2022. Subject to shareholder approval at the 2022 AGM, it is proposed that this ordinary dividend is paid on 24 October 2022 to all shareholders on the register at close of business on 23 September 2022.

For further information on the dividend, including the suspension of the special dividend see page 50 of the Strategic Report.

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 72 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 63 to 65.

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

In June 2022, the Company announced that Darren Pope would join as an Independent Non-Executive Director with effect from 1 September 2022. Darren brings extensive financial services and risk expertise, strategic thinking, governance and regulatory experience with strong leadership skills. He is currently a Director of Virgin Money UK PLC, Network International PLC, Silicon Valley Bank UK Ltd and formerly a Director of Equiniti PLC.

Name	Role	Date of appointment/departure
Penny James	Independent Non-Executive Director	Appointed 1 September 2021
Philip Johnson	Chief Financial Officer and Executive Director	Resigned 31 January 2022
Amy Stirling	Chief Financial Officer and Executive Director	Appointed 21 February 2022

Directors' interests

Details of the Directors' interests in the Company's ordinary shares can be found on pages 99 and 104 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 152 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.

Employee 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 page 30 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 25 and 30 of the Strategic Report and in the Group's Section 172 Statement on pages 118 to 121.

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 29 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 29 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 151.

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 Board looks forward to welcoming shareholders to the Company's AGM in October 2022. 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 Russian invasion of Ukraine, the increase in inflation and the associated cost-of-living crisis. 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 45 to 50 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 Company and 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 Company and 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 54 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.

Claire Chapman
Group Company Secretary

4 August 2022

Understanding the views and interests of our stakeholders helps the Group to make better decisions with the aim of generating 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 its 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 24 to 25 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 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 and understands the importance of considering the impact on each of those stakeholders when making decisions.

The Group's Board and Committee paper templates 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 stakeholders.

Further details of how the Board considers each of the specific matters set out in Section 172 is set out below, along with some 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 12 to 17 of the Strategic Report. Details of how stakeholder considerations influenced the Board's decision making regarding the strategy can be found in the case study on page 120.

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 its 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 51 to 59 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 Group 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 30 of the Strategic Report.

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 page 25 of the Strategic Report. Details of how engagement with colleagues has influenced the Board's decision making can be found in the case studies on pages 120 and 121. →

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. 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 and long-term strategy.

You can read more about how we engage with our clients and the actions we have taken as a result on page 24 of the Strategic Report. You can read more about how consideration of our clients' interests have shaped some of the Board's decisions this year in the case studies on pages 120 and 121.

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, Audit and Remuneration Committees receive detailed insights into specific areas such as the ICAAP/ICARA, CASS and Consumer Duty. The Board also receives updates in relation to specific matters, such as areas of interest to the FCA including 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. The Group also engages with the FCA to help ensure that the position of retail investors in the UK is understood, including establishing a Savings and Resilience Sounding Board to explore options for supporting clients with financial resilience, of which the FCA is a member. Further details can be found on page 25.

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 continues to develop, enhance and embed a vendor management framework across the business, in line with business, market and regulatory expectations. We aim to pay our suppliers promptly and within 30 days of payment being requested and have maintained the increased frequency of our payment runs introduced last year to support suppliers during the COVID-19 pandemic. Our average payment days during the period under review was approximately 21 days.

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 24 to 25 of the Strategic Report and page 66 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 50 of the Strategic Report), and 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.

The Board recognises ESG as an increasingly important consideration to many of its key stakeholders and ESG matters have been the subject of a full deep-dive again this year, alongside the Chief Executive Officer's regular updates to the Board on the Group's approach. You can read more about our ESG practices on pages 31 to 44 of the Strategic Report and the key considerations of the Board when reviewing our ESG strategy on page 121.

Details of how consideration of our wider community has shaped some of our recent initiatives, e.g. our Savings and Resilience Barometer can be found on page 25 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 HL Way, launched last year, has been further developed this year to focus on helping colleagues understand how best to fulfil their personal responsibilities, making clear what we stand for, the principles to follow, why it's important and what's expected of us. You can find more information about the HL Way on page 27 of the Strategic Report.

The Board approves and oversees the Group's adherence to policies that promote high standards of conduct and receives regular updates on the Group's culture through KPIs that form part of the Chief Executive Officer's business performance update.

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. →

Setting the new strategy

In February 2022, the management team delivered the Capital Markets Day announcing to key stakeholders the next phase of HL's strategic development and digital transformation. The Board were closely involved in defining this next phase, including approving the strategic investment required to deliver. In developing the multi-year strategy outlined at the Capital Markets Day, the Board has paid particular regard to:

- Our clients through the identification of opportunities to further enhance our client proposition and transform our service to continue to meet their current and long-term needs and to promote good client outcomes;
- The views and interests of colleagues to ensure they are motivated and empowered to play their part in the transformation of HL and the successful delivery of the strategy, including introducing regular CEO updates on progress;
- Our shareholders and their appetite to invest for the long term to benefit from the significant opportunities that exist to grow the business, coupled with the need to fund that investment including by suspending the payment of any special dividends through FY22 and FY23;
- The requirements of the FCA, our regulator, and the expectations of our shareholders and clients in relation to our ability to provide effective oversight of the delivery of the strategy, e.g. through appropriate governance and reporting structures and risk management and controls; and
- The likely long-term consequences for the Group of the decision to adopt the new strategy and make the investment needed to deliver when compared with alternative options.

Return to the office

As COVID-19 pandemic restrictions eased, the Board oversaw a 'test and learn' approach to the Group's return to the office and adoption of hybrid working arrangements. In deciding this approach the Board paid particular regard to:

- The variety of views expressed by colleagues. A colleague-led 'test and learn' approach recognises the need to balance safety and continued support for colleagues, both in the office and working from home, with colleagues' desire to increase engagement and collaboration by meeting in person; and
- Our clients, by ensuring any return to office or hybrid working plans minimise and mitigate disruption to clients.

ESG Strategy

The Group has maintained its focus on delivering its ESG strategy this year and ensuring ESG considerations are embedded in all that we do. The Board oversaw the introduction of an ESG dashboard of key metrics, developments in the ownership of the ESG strategy to help drive results across the business; and proposals to expand the client proposition to enable clients to make investment decisions aligned to their ESG preferences. In these matters, the Board has paid particular regard to:

- Understanding the Group's impact on the environment and the steps needed to meet its commitment to achieving net zero by at least 2050;
- The importance of ESG to our colleagues and potential benefits in terms of improving colleague retention and recruitment;
- The views of our major shareholders and other key stakeholders who continue to highlight the importance of clear communication on ESG matters, resulting in the Company publishing its first SASB disclosure in June 2022; and
- The growing importance of ESG factors to our clients and the wider community and the need to maintain a reputation for high standards of business conduct in this area, to be a responsible business and to seek to embed climate considerations into our investment management and stewardship activities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Report and Financial Statements 2022 and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group 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 UK-adopted international accounting standards 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 group and parent company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Report and Financial Statements 2022 and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Board of Directors profiles on pages 63 to 65, confirm that, to the best of their knowledge:

- the group, and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and parent company, and of the profit of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

By order of the Board

Amy Stirling
Chief Financial Officer

4 August 2022

FINANCIAL STATEMENTS

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 2022 and of the group's profit and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements 2022 (the "Annual Report"), which comprise: the consolidated statement of financial position and the parent company statement of financial position as at 30 June 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the parent company statement of changes in equity and the parent company statement of cash flows 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than those disclosed in the Audit Committee report, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The financial statements comprise the consolidation of 20 individual components, each of which represents a legal entity within the group or consolidation adjustments.
- We assessed each component and considered the contribution it made to the group's performance in the year, whether it displayed any significant risk characteristics and/or whether it contributed a significant amount to any individual financial statement line item.
- The above assessment resulted in us identifying two financially significant components that required audit procedures for the purpose of the audit of the group financial Statements.
- The two financially significant subsidiaries are based in the UK and were audited by the PwC UK audit team.
- By performing audit procedures on these two components, the consolidation adjustments and by audit of specific balances in the components with large individual balances, we achieved coverage greater than 90% of each material financial statement line item within the group's financial statements.
- We also performed a full scope audit of all material line items in the parent company's financial statements.
- In planning our audit, we considered the extent to which climate change is impacting the group and how it impacted our risk assessment for the audit of the group's financial statements. In making these considerations we:

  a) Enquired of management in respect of their own climate change risk assessment, including associated governance processes and understood how these have been implemented.

  b) Obtained the latest Task Force for Climate Related Financial Disclosures ("TCFD") report for the group and checked it for consistency with our knowledge of the group based on our audit work.

  c) Considered management's risk assessment and the TCFD report in light of our knowledge of the wider asset management and wealth management industries.
- Our conclusion was that the impact of climate change does not give rise to a key audit matter for the group and it did not impact our risk assessment for any material financial statement line item or disclosure.

Key audit matters

- Revenue recognition (group)

Materiality

- Overall group materiality: £13,400,000 (2021: £18,300,000) based on 5% of consolidated profit before tax.
- Overall parent company materiality: £12,200,000 (2021: £9,800,000) based on 5% of profit before tax.
- Performance materiality: £10,050,000 (2021: £13,700,000) (group) and £9,150,000 (2021: £7,300,000) (parent company).

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.

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.

Impact of COVID-19, which was a key audit matter last year, is no longer included because of the reduced uncertainty of the impact of the COVID-19 pandemic. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (group) Revenue is material to the group and is an important determinant of the group's results. Revenue may be misstated due to errors in system calculations and/or manual processes, for example, arising from incorrect securities' prices or levels of assets held used in such calculations and/or 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 financial performance, there is an inherent risk of fraud in revenue recognition in order to misstate revenue. This may arise through unauthorised changes to key data inputs or system calculations used in the revenue recording processes and/or posting journal entries to manipulate revenue. Our assessment in this regard in respect of each of the group's revenue streams concluded that relevant areas of risk related to the three areas described below.	In order to address these areas, including risk of fraud in revenue recognition, we evaluated the design and implementation of key controls as well as performing the following procedures:
The accuracy of, and potential manipulation of, key data inputs used in the automated calculation of platform fees (e.g. number of units held) or fees on stockbroking transactions (e.g. fee rates) in the administration system.	We tested relevant IT controls over the administration system, as well as the systems which capture and transmit customer transactions to the administration system. We identified and tested relevant IT dependencies (e.g. the interface between the front end systems and the administration system) in the revenue reporting process. In addition to this we tested management's controls over the relevant data in the administration system (for example over the recording of customer holdings, and matching of transactions to third party records). We identified a number of exceptions from our testing of controls and therefore performed additional work to address these including consideration of mitigating controls, with no further issues arising. We tested samples of key data inputs held and used in the administration system to supporting documentation, with no exceptions being noted from this testing.

Key audit matter	How our audit addressed the key audit matter
The potential manipulation of the calculation logic within the administration system to increase reported revenue from platform fees and stockbroking commission, or the potential manipulation of key data inputs used or manipulation of the manual spreadsheet calculations of interest on client money.	We used our data analytics software to reperform the platform fees and fees on stockbroking transactions calculations, using source data extracted from the administration system. We independently performed the calculation of interest on client money using source data extracted from records held by the group. We then compared our independent recalculations to the amounts reported. With respect to the recalculations, we noted differences which in quantitative terms were immaterial. We investigated these differences and did not consider them to require further testing.
Posting journals to manipulate reported revenue amounts.	We tested a risk-based sample of revenue related journals as part of our overall response to the risk of management override of controls. No exceptions were noted from this testing.
Given that revenue is material to the group and is an important determinant of the group's results we also performed testing to address other aspects of revenue recognition, where we had concluded that the risk of misstatement was not heightened. These related to other revenue streams such as fund management fees calculated by the third-party fund administrator, as well as characteristics such as whether revenues had occurred, been completely recorded, and recorded in the correct period.	We recalculated fund management fees using confirmations of daily net asset values provided by the third-party fund administrator and published annual management charge rates. We reviewed the third-party fund administrator's annual controls report considering key controls over the net asset values we had used in our testing. We tested whether revenue had been completely recorded and recorded in the correct period, by selecting a sample of transactions around the period end to assess whether the effective date was correct within the administration system revenue calculations. We obtained evidence in respect of the occurrence of revenue recorded by the group from testing a sample of transactions to corroborating evidence such as client instructions and third party settlement records, and from our testing of selected bank reconciliations. No exceptions were noted from this testing.

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 operates primarily in the UK, and has one Polish based subsidiary. There were 5 key operating subsidiaries during the year, all of which operate in the UK. We considered two subsidiaries to be financially significant reporting units, Hargreaves Lansdown Asset Management Limited and Hargreaves Lansdown Fund Managers Ltd., for which we performed an audit of their complete financial information. Together these two financially significant reporting units represent 106% of the group's consolidated profit before tax (before considering the impact of intercompany eliminations) and 96% of the group's consolidated revenue. A reporting unit was considered to be financially significant if it contributed more than 10% of consolidated profit before tax. Specific audit procedures were also performed over consolidation adjustments, balances that could be tested centrally 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 group audit work was performed by the group engagement team in the UK.

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:

	Financial statements – group	Financial statements – parent company
Overall materiality	£13,400,000 (2021: £18,300,000).	£12,200,000 (2021: £9,800,000).
How we determined it	5% of consolidated profit before tax	5% of profit before tax
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax is a key measure used by the shareholders in assessing the financial performance of the group, and is a generally accepted auditing benchmark. Our approach is consistent with that used in the prior year.	Based on the benchmarks used in the Annual Report, profit before tax is a key measure used by the shareholders in assessing the financial performance of the group, and is a generally accepted auditing benchmark. We have applied a consistent approach in calculating the parent company's materiality. Our approach is consistent with that used in the prior year.

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 £3,600,000 and £12,060,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £10,050,000 (2021: £13,700,000) for the group financial statements and £9,150,000 (2021: £7,300,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £670,000 (group audit) (2021: £945,000) and £610,000 (parent company audit) (2021: £533,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining, evaluating and challenging management's going concern assessment (specifically covering operational resilience, current and projected capital and liquidity positions, and the appropriateness of downside scenarios) using our knowledge of the group's business performance and review of regulatory correspondence.
- Agreeing cash flow forecasts to the Board approved operating plan (which is used in management's assessment) and performing lookback testing over budgeted versus actual results for the previous year to assess the historical accuracy of management's forecasting.
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of the impact of COVID-19.
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including review of Risk and Audit Committee meeting minutes.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

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.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report and Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

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

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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 regulatory principles, governed by the Financial Conduct Authority, 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 financial statements such as the Companies Act 2006. 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 and the potential manipulation of key data or calculation logic within the administration system to increase reported revenue for the group. Audit procedures performed by the engagement team included:

- Discussions with the Risk and Compliance functions, Internal Audit and the company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- The assessment of the susceptibility of the entity's financial statements to being materially misstated, including how fraud might occur;
- Obtaining an understanding of, and assessing management's controls designed to prevent and detect irregularities and the policies and procedures on fraud risks;
- Reading the Audit Committee papers in which whistle blowing matters are reported and consideration of the impact of these matters on the group's compliance with laws and regulations;
- 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 potential non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations increasing reported revenues of the group
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing; and
- Reviewing the Report and Financial Statements 2022 disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 9 years, covering the years ended 30 June 2014 to 30 June 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

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

4 August 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Revenue	1.1	583.0	631.0
Fair value gains on derivatives		–	0.6
Operating costs	1.3	(313.0)	(266.0)
Operating profit		270.0	365.6
Finance income	1.6	–	1.4
Finance costs	1.7	(0.8)	(1.0)
Profit before tax		269.2	366.0
Tax	1.8	(53.4)	(69.7)
Profit for the financial year		215.8	296.3
Attributable to:			
Owners of the parent		216.3	296.7
Non-controlling interest		(0.5)	(0.4)
		215.8	296.3
Earnings per share			
Basic earnings per share (pence)	1.9	45.6	62.6
Diluted earnings per share (pence)	1.9	45.6	62.5

The results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Profit for the financial year	215.8	296.3
Total comprehensive income for the financial year	215.8	296.3
Attributable to:		
Owners of the parent	216.3	296.7
Non-controlling interest	(0.5)	(0.4)
	215.8	296.3

The results relate entirely to continuing operations.

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.

Ongoing Revenue

The largest source of revenue for the Group encompasses ongoing revenue, which includes platform fees, fund management fees, interest on client money and ongoing advisory fees and renewal commission. This is revenue predominantly earned over time.

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 recognised over time, 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 advice 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 ongoing 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 ongoing revenue, with payment being due immediately.

Transactional

The other source is revenue earned on individual transactions and is primarily made up of stockbroking commission and advisory event driven fees, referred to as initial advice charges in the table on the next page. The price is determined in relation to the specific transaction type and are frequently flat fees. 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 advice 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. The 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 advice charges are levied separately.

1.1 Revenue continued

Timing and 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 three months.

None of the revenue streams contain financing components.

There are no judgements made in relation to the timing or determination of transaction price of any revenue streams.

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Ongoing revenue		
Platform fees	289.1	263.7
Fund management fees	60.3	60.8
Ongoing advice charges	8.3	9.0
Interest earned on client money	51.8	51.9
Renewal commission	4.6	5.1
Transactional revenue		
Fees on stockbroking transactions	164.6	231.6
Initial advice charges	4.0	5.1
Other transactional income	0.3	3.8
Total Revenue	583.0	631.0

1.2 Segmental reporting

Under IFRS 8, operating segments are required to be determined based upon the way the Group generates revenue and incurs expenses 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 direct wealth management service administering investments in ISA, SIPP and Fund & Share accounts, and providing cash management services for individuals and corporates. 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.

Marketing and distribution costs

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

Dealing and financial services costs

Dealing and financial services costs are those costs associated with the cost of doing business in relation to stockbroking and volume related transactions.

1.3 Operating costs continued

Operating profit has been arrived at after charging:

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Depreciation of owned plant and equipment and right-of-use assets (note 2.3)	8.9	9.0
Amortisation of other intangible assets (note 2.2)	6.2	6.1
Impairment of intangible assets (note 2.2)	1.0	1.1
Marketing costs	25.8	28.3
Operating lease rentals payable – property	–	0.1
Office running costs – excluding operating lease rents payable	4.9	4.9
FSCS costs	12.1	13.9
Dealing and financial services costs	24.6	35.6
Data and technology costs	29.7	22.8
Legal and professional costs[2]	33.1	16.7
Other operating costs[1]	11.2	7.7
Staff (including contractors) costs (note 1.5)	155.5	119.8
Operating costs	313.0	266.0

1 Included in other operating costs are fair value movements on investments as disclosed in note 2.4. Also included are compensation and compliance costs, other finance costs and insurance costs.
2 Legal and professional fees has been separated from the Other operating costs line in the current year and as a result the comparative has been moved in the prior year.

1.4 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Audit fees		
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	0.2	0.1
Fees payable to the Company's auditors and its associates for the audits of the Company's subsidiaries	0.4	0.4
Audit related assurance services	0.5	0.4
	1.1	0.9

Audit and related services provided by the auditors are discussed further in the Audit Committee report on page 76.

1.5 Staff costs

Staff costs represent amounts paid to employees, contractors 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 as the services are provided.

	Year ended 30 June 2022 No.	Year ended 30 June 2021 No.
The average monthly number of employees of the Group (including Executive Directors and contractors) was:		
Operating and support functions	1,533	1,360
Administrative functions	576	479
	2,109	1,839
Their aggregate remuneration comprised:	£m	£m
Wages and salaries	122.2	97.5
Social security costs	14.2	10.8
Share-based payment expenses	8.4	4.5
Other pension costs	13.2	11.6
Total costs paid for staffing	158.0	124.4
Capitalised in the year	(2.5)	(4.6)
Staff (including contractors) costs	155.5	119.8

The staff (including contractors) costs of £155.5 million (2021: £119.8m) are net of costs capitalised under intangible assets. In total, £2.0 million of wages and salaries (2021: £3.9m), social security costs of £0.2 million (2021: £0.4m) and pension costs of £0.3 million; (2021: £0.3m) were capitalised. See note 2.2 for further detail of the amounts capitalised.

1.6 Finance income

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Interest on bank deposits	–	1.1
Other finance income	–	0.3
	–	1.4

1.7 Finance costs

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Commitment fees	0.3	0.3
Interest incurred on lease payables	0.5	0.7
Finance costs	0.8	1.0

The finance costs relate to the commitment fees paid in respect of a revolving credit facility available to the Group. The facility allows the Group to draw up to £75 million (2021: £75m) and is undrawn as at 30 June 2022. The facility incurs interest charges, consisting of a margin of 0.85% plus SONIA 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 IFRS 16 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.

1.8 Tax continued

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Current tax: on profits for the year	52.3	70.4
Current tax: adjustments in respect of prior years	(0.4)	(0.1)
Deferred tax (note 2.7)	1.0	(0.6)
Deferred tax: adjustments in respect of prior years (note 2.7)	0.5	–
	53.4	69.7

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2022 (2021: 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 2022 £m	Year ended 30 June 2021 £m
Deferred tax relating to share-based payments	(0.6)	(0.2)
Current tax relating to share-based payments	0.1	1.1
	(0.5)	0.9

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 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's taxable profits for this accounting year are taxed at 19%. Deferred tax has been recognised at either 19% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference.

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Profit before tax	269.2	366.0
Tax at the standard UK corporation tax rate of 19.0% (2021: 19.0%)	51.1	69.5
Non-taxable income	0.1	–
Items not allowable for tax	2.3	0.5
Additional deduction for tax purposes	(0.2)	–
Adjustments in respect of prior years	0.1	(0.1)
Foreign tax suffered	0.1	–
Impact of the change in tax rate	(0.1)	(0.2)
Tax expense for the year	53.4	69.7
Effective tax rate	19.9%	19.0%

The additional deduction for tax purposes only arises from enhanced capital allowances available from the super deduction on qualifying plant and machinery purchased within the financial year ended 30 June 2022.

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 429,519 at 30 June 2022 (2021: nil).

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	216.3	296.7
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	(444,685)	(532,185)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	74,702	4,335
Weighted average number of ordinary shares for the purposes of basic EPS	473,948,642	473,790,775
Weighted average number of dilutive share options held by HL EBT and SIP that have not vested unconditionally with employees	579,869	754,901
Weighted average number of ordinary shares for the purposes of diluted EPS	474,528,511	474,545,676
Earnings per share	Pence	Pence
Basic EPS	45.6	62.6
Diluted EPS	45.6	62.5
Underlying basic EPS*	50.4	62.6
Underlying diluted EPS*	50.4	62.5

* Underlying basic EPS and underlying diluted EPS are calculated after deducting strategic costs as outlined in the Glossary of Alternative Performance Measures on page 168.

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.

Equity settled share option schemes

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) – a part of the Executive Option Scheme, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

1.10 Share-based payments continued

Details of the share options and share awards outstanding during the year are as follows:

	Year ended 30 June 2022		Year ended 30 June 2021	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	792,726	1,223.9	826,006	1,238.6
Granted during the year	716,660	808.0	217,196	1,232.0
Exercised during the year	(18,034)	1,340.5	(133,947)	1,290.9
Lapsed during the year	(9,453)	1,262.7	(1,362)	1,057.0
Forfeited during the year	(503,576)	1,218.5	(115,167)	1,268.3
Outstanding at the end of the year	978,323	919.5	792,726	1,223.9
Exercisable at the end of the year	–	–	9,555	1,377.0
Executive Option Scheme				
Outstanding at beginning of the year	1,340,013	572.6	1,525,442	674.9
Granted during the year	517,721	–	263,284	–
Exercised during the year	(359,939)	653.7	(430,901)	608.4
Lapsed during the year	–	–	–	–
Forfeited during the year	(13,705)	–	(17,812)	–
Outstanding at the end of the year	1,484,090	358.5	1,340,013	572.6
Exercisable at the end of the year	563,287	944.6	638,671	1,093.6
SIP				
Outstanding at beginning of the year	34,885	23.5	34,885	23.5
Exercised during the year	(1,410)	23.5	–	23.5
Outstanding at the end of the year	33,475	23.5	34,885	23.5
Exercisable at the end of the year	33,475	23.5	34,885	23.5

The weighted average market share price at the date of exercise for options exercised during the year was 1,373.5 pence (2021: 1,653.7 pence).

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2022		Year ended 30 June 2021	
	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	1,050,667	719.7	989,867	986.2
1-2 years	413,388	240.9	582,258	853.0
2-3 years	857,299	671.7	429,274	616.7
3-4 years	86,784	0.0	79,440	0.0
4-5 years	87,749	0.0	86,784	0.0
	2,495,887	573.6	2,167,623	801.6

The fair value at the date of grant of options awarded during the year ended 30 June 2022 and the year ended 30 June 2021 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2022	At 30 June 2021
Weighted average share price	1,260.37	1,597.37
Expected dividend yields	2.41%	1.61%
SAYE		
Weighted average exercise price	8.08p	1,232p
Expected volatility	41%	39%
Risk free rate	1.58%	0.15%
Expected life	3 years	3 years
Fair value	253.0p	441.0p
Executive scheme		
Weighted average exercise price	0.00p	0.00p
Expected volatility	34%	35%
Risk free rate	0.37%	(0.09)%
Expected life	2.6 years	4.4 years
Fair value	1,473.1p	1,607.6p

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	At 30 June 2022 £m	At 30 June 2021 £m
ASSETS			
Non-current assets			
Goodwill	2.1	1.3	1.3
Other intangible assets	2.2	37.3	33.6
Property, plant and equipment	2.3	22.5	28.6
Deferred tax assets	2.7	1.9	3.7
		63.0	67.2
Current assets			
Investments	2.4	0.8	0.9
Trade and other receivables	2.5	523.5	869.2
Cash and cash equivalents	2.6	488.3	445.3
Current tax assets		0.6	1.5
		1,013.2	1,316.9
Total assets		1,076.2	1,384.1
LIABILITIES			
Current liabilities			
Trade and other payables	2.8	488.3	774.0
		488.3	774.0
Net current assets		524.9	542.9
Non-current liabilities			
Provisions	2.9	2.6	2.7
Non-current lease liabilities	2.10	11.8	15.0
Total liabilities		502.7	791.7
Net assets		573.5	592.4
EQUITY			
Share capital	3.1	1.9	1.9
Shares held by EBT reserve		(3.6)	(4.8)
EBT reserve		(2.4)	(3.1)
Retained earnings		579.2	599.5
Total equity, attributable to the owners of the parent		575.1	593.5
Non-controlling interest	3.1	(1.6)	(1.1)
Total equity		573.5	592.4

The consolidated financial statements on pages 131 to 158 were approved by the Board and authorised for issue on 4 August 2022 and signed on its behalf by:

Amy Stirling
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 2022 £m	Year ended 30 June 2021 £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 2026 that show the Group as a whole is expected to remain profitable and cash generative. HLAS made a loss in the financial year, but has a net asset position as at 30 June 2022 and forecasts to June 2026 show a return to profitability. 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 2019 to a limited number of clients and is committed to providing the financial resources required to see it through to expected profitability.

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 with assets in development other than those referred to within this note. 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.

2.2 Other intangible assets continued

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.

	Customer list £m	Computer software £m	Internally developed software £m	Total £m
Cost				
At 1 July 2020	4.6	18.1	26.4	49.1
Asset reclassification	–	(2.8)	2.8	–
Additions	–	1.2	11.6	12.8
Disposals	–	(0.7)	(0.4)	(1.1)
Impairment	–	–	(1.3)	(1.3)
At 30 June 2021	4.6	15.8	39.1	59.5
Asset reclassification	–	1.5	(1.5)	–
Additions	–	1.5	9.4	10.9
Disposals	–	–	–	–
Impairment	–	–	(1.0)	(1.0)
At 30 June 2022	**4.6**	**18.8**	**46.0**	**69.4**
Accumulated amortisation				
At 1 July 2020	0.8	13.9	6.4	21.1
Charge	0.4	1.6	4.1	6.1
Disposals	–	(0.7)	(0.4)	(1.1)
Impairment	–	–	(0.2)	(0.2)
At 30 June 2021	1.2	14.8	9.9	25.9
Asset reclassification		1.4	(1.4)	–
Charge	0.6	1.1	4.5	6.2
Disposals	–	–	–	–
Impairment	–	–	–	–
At 30 June 2022	**1.8**	**17.3**	**13.0**	**32.1**
Carrying amount				
At 30 June 2022	2.8	1.5	33.0	37.3
At 30 June 2021	3.4	1.0	29.2	33.6
At 30 June 2020	3.8	4.2	20.0	28.0

The amortisation charge above is included in operating costs in the Income Statement.

The impairment incurred in the year relates to the write-off of a portion of internally developed software, for which there is no longer an intended future use. It has been written off in part and net book value of £1.0m has been recorded in operating costs in the Income Statement. This impairment and write-off of a portion of the asset does not impact the remaining element of the asset and was performed due to a change in development method. The asset was not in use at the time of impairment.

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.

2.3 Property, plant and equipment continued

Property, plant and equipment

	Right-of-use assets £m	Computer hardware £m	Office equipment £m	Total £m
Cost				
At 1 July 2020	20.2	39.9	11.6	71.7
Additions	1.3	3.6	0.5	5.4
Disposals	(1.1)	(0.9)	–	(2.0)
At 30 June 2021	20.4	42.6	12.1	75.1
Additions	–	1.9	0.9	2.8
Disposals	–	(0.6)	–	(0.6)
At 30 June 2022	20.4	43.9	13.0	77.3
Accumulated depreciation				
At 1 July 2020	2.9	28.0	7.6	38.5
Charge	3.0	4.7	1.3	9.0
Disposal	(0.1)	(0.9)	–	(1.0)
At 30 June 2021	5.8	31.8	8.9	46.5
Charge	3.1	4.8	1.0	8.9
Disposal	–	(0.6)	–	(0.6)
At 30 June 2022	8.9	36.0	9.9	54.8
Carrying amount				
At 30 June 2022	11.5	7.9	3.1	22.5
At 30 June 2021	14.6	10.8	3.2	28.6
At 30 June 2020	17.3	11.9	4.0	33.2

Leases recognised in property, plant and equipment

	At 30 June 2022 £m	At 30 June 2021 £m
Right-of-use assets		
Buildings	11.5	14.6

Leases expense recognised in the Consolidated Income Statement

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Depreciation charge on right-of-use assets			
Buildings	1.3	3.1	3.0
Lease expense recognised in finance costs	1.7	0.5	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 2022 £m	Year ended 30 June 2021 £m
At beginning of year	0.9	0.6
Purchases	0.7	2.1
Disposals	(0.8)	(1.8)
At end of year	0.8	0.9
Comprising:		
Current asset investment – UK-listed securities valued at quoted market price	0.8	0.9

£0.8 million (2021: £0.9m) of investments are classified as held at fair value through profit and loss, being deal related short-term investments. Fair value movements on investments are included in other operating costs, as disclosed in note 1.3.

Investment balances are short-term positions the Group takes as a result of deals placed either in error or due to having to take positions where clients are no longer able to hold an investment. The gross gains and losses in relation to fair value include movements where no investment position is taken and are as shown below:

Fair value movements on investments

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Gross gains	0.4	1.5
Gross losses	(1.3)	(8.1)
	(0.9)	(6.6)

2.5 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 comprise fees due from clients and counterparty positions. They 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 amounts earned by the Group, for which the Group has provided services, but balances are collected in arrears. The amount relates to fund management fees, interest on deposits and services direct to clients.

	At 30 June 2022 £m	At 30 June 2021 £m
Financial assets:		
Trade receivables	432.6	744.5
Term deposits	20.0	60.0
Accrued income	49.0	46.7
Other receivables	3.7	4.1
	505.3	855.3
Non-financial assets:		
Prepayments	18.2	13.9
	523.5	869.2

In accordance with market practice and accounting standards on trade date accounting, certain balances with clients, Stock Exchange member firms and other counterparties totalling £409.5 million (2021: £704.8m) 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 £532.6 million (2021: £936.0m) and the gross amount offset in the Statement of Financial Position with trade payables is £130.1 million (2021: £231.1m). 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 year – see note 5.7 for further details.

The Group does not have any contract assets in respect of its revenue contracts with customers (2021: nil).

2.6 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.

Term deposits held by the Group on unbreakable terms greater than three months are classified as financial assets and are shown in note 2.5.

	At 30 June 2022 £m	At 30 June 2021 £m
Cash and cash equivalents:		
Group cash and cash equivalent balances	488.0	443.5
Restricted cash – balances held by HL EBT	0.3	1.8
	488.3	445.3

At 30 June 2022, 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 £8,665 million (2021: £7,243m). In addition, there were pension trust and Active Savings cash accounts held on behalf of clients not governed by the client money rules of £6,533 million (2021: £5,621m). 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.

2.7 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 either 19% or 25% depending upon the rate expected to be in force at the time of the reversal of the temporary difference. 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 2022.

	Fixed asset tax relief £m	Share-based payments £m	Other deductible temporary differences £m	Total £m
At 1 July 2020	0.1	2.4	0.6	3.1
Credit to income	0.2	0.3	0.1	0.6
Credit/(charge) to equity	–	(0.2)	0.2	–
At 30 June 2021	0.3	2.5	0.9	3.7
(Charge)/credit to income	(0.8)	(0.7)	–	(1.5)
Credit/(charge) to equity	–	(0.3)	–	(0.3)
At 30 June 2022	(0.5)	1.5	0.9	1.9
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	–	0.4	0.8	1.2
>1 year after reporting date	(0.5)	1.1	0.1	0.7
	(0.5)	1.5	0.9	1.9

2.8 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.

	At 30 June 2022 £m	At 30 June 2021 £m
Financial liabilities		
Trade payables	406.7	712.5
Current lease liabilities	4.6	4.8
Other payables	31.0	28.9
	442.3	746.2
Non-financial liabilities		
Deferred income	0.3	0.4
Accruals	38.5	21.1
Social security and other taxes	7.2	6.3
	488.3	774.0

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £404.9 million (2021: £694.6m) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.5, 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.

All balances classified as Deferred income in the prior year have been recognised in revenue in the current year.

2.9 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.

	£m
Included within non-current liabilities	
At 1 July 2020	0.8
Charged during the year	1.9
At 30 June 2021	2.7
Released in the year	(1.7)
Charged during the year	1.6
At 30 June 2022	2.6

The provision brought forward relates to property related costs representing the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of leases, in relation to the head office in Bristol. These property provisions are not expected to be fully utilised until 2026.

Also included in the current year was a provision in relation to historic transactions that was reduced by £1.7 million upon review of the obligations present.

Provisions recognised in the current year are not expected to be paid within 12 months of the date of the Statement of Financial Position and are costs in relation to historic transactions that are now considered more likely than not to be incurred.

2.10 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, based on the incremental borrowing rate implied in the contracts. This expense is recognised as a finance cost in the period to which payment relates, see note 1.7 for further details.

	At 30 June 2022 £m	At 30 June 2021 £m
Lease liabilities greater than 12 months	11.8	15.0

Finance costs and financing cash flows associated with the lease are reconciled below to show the movement in the year.

Reconciliation of lease liability changes to cash flows

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Opening balance – including discounted current cash flows		19.8	22.2
New lease in period		–	1.3
Cash paid as rent	4	(3.9)	(4.0)
Termination of lease		–	(0.4)
Lease expense recognised in finance costs	1.7	0.5	0.7
Current element of liability	2.8	(4.6)	(4.8)
Long-term liability		11.8	15.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	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 2020	1.9	(6.3)	(1.9)	564.6	558.3	(0.7)	557.6
Total comprehensive income[1]	–	–	–	296.7	296.7	(0.4)	296.3
Employee Benefit Trust							
Shares sold in the year	–	9.3	–	–	9.3	–	9.3
Shares acquired in the year	–	(7.8)	–	–	(7.8)	–	(7.8)
HL EBT share sale	–	–	(4.9)	–	(4.9)	–	(4.9)
Reserve transfer on exercise of share options	–	–	3.7	(3.7)	–	–	–
Employee share option scheme							
Share-based payments expense	–	–	–	4.5	4.5	–	4.5
Current tax effect of share-based payments (note 1.8)	–	–	–	1.1	1.1	–	1.1
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividend paid (note 3.2)	–	–	–	(263.5)	(263.5)	–	(263.5)
At 30 June 2021	1.9	(4.8)	(3.1)	599.5	593.5	(1.1)	592.4
Total comprehensive income[1]	–	–	–	216.3	216.3	(0.5)	215.8
Employee Benefit Trust							
Shares sold in the year	–	5.4	–	–	5.4	–	5.4
Shares acquired in the year	–	(4.2)	–	–	(4.2)	–	(4.2)
HL EBT share sale	–	–	(2.8)	–	(2.8)	–	(2.8)
Reserve transfer on exercise of share options	–	–	3.5	(3.5)	–	–	–
Employee share option scheme							
Share-based payments expense	–	–	–	8.4	8.4	–	8.4
Current tax effect of share-based payments (note 1.8)	–	–	–	0.1	0.1	–	0.1
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(0.6)	(0.6)	–	(0.6)
Dividend paid (note 3.2)	–	–	–	(241.0)	(241.0)	–	(241.0)
At 30 June 2022	1.9	(3.6)	(2.4)	579.2	575.1	(1.6)	573.5

1 Total comprehensive income includes Profit for the year and the total comprehensive income presented is equal to Profit in both years presented.

3.1 Share capital

	At 30 June 2022 £m	At 30 June 2021 £m
Authorised: 525,000,000 (2021: 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 2022 £m	Year ended 30 June 2021 £m
2021 final dividend of 26.6p (2020 final dividend: 26.3p) per share	126.0	124.7
2021 special dividend of 12.0p (2020: 17.4p) per share	56.9	82.4
2022 interim dividend of 12.26p (2021: 11.9p) per share	58.1	56.4
Total dividends paid during the year	241.0	263.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 27.44 pence per share, payable on 24 October 2022 to shareholders on the register on 23 September 2022. 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 2023 financial statements as follows:

	£m
2022 final dividend of 27.44p (2021 final dividend: 26.6p) per share	130.0
Total dividends	130.0

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.

	At 30 June 2022 No. of shares	At 30 June 2021 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	424,035	482,008
Representing percentage of called-up share capital	0.09%	0.10%

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Net cash from operating activities			
Profit for the year after tax		215.8	296.3
Adjustments for:			
Income tax expense		53.4	69.7
Depreciation of plant and equipment		8.9	9.0
Amortisation of intangible assets		6.2	6.1
Impairment of intangible assets		1.0	1.1
Share-based payment expense		8.3	4.5
Interest on lease liabilities		0.5	0.7
Gain on termination of lease		–	(0.3)
(Decrease)/increase in provisions		(0.1)	2.0
Operating cash flows before movements in working capital		294.0	389.1
Decrease/(increase) in receivables		305.8	(66.0)
(Decrease)/increase in payables		(285.7)	75.8
Cash generated from operations		314.1	398.9
Income tax paid		(51.2)	(70.3)
Net cash generated from operating activities		262.9	328.6
Investing activities			
Decrease in term deposits		40.0	170.0
Purchase of property, plant and equipment		(2.8)	(5.4)
Purchase of intangible assets		(10.9)	(12.8)
Proceeds on disposal of subsidiary		–	0.2
Proceeds/(purchase) on disposal of investments		0.1	(0.3)
Net cash generated from investing activities		26.4	151.7
Financing activities			
Purchase of own shares in EBT		(4.2)	(7.7)
Proceeds on sale of own shares in EBT		2.8	4.3
Payment of principal in relation to lease liabilities	2.10	(3.9)	(4.0)
Dividends paid to owners of the parent		(241.0)	(263.5)
Net cash used in financing activities		(246.3)	(270.9)
Net increase in cash and cash equivalents		43.0	209.4
Cash and cash equivalents at beginning of year	2.6	445.3	235.9
Cash and cash equivalents at end of year (including restricted cash)	2.6	488.3	445.3

5.1 General information

Hargreaves Lansdown plc (the Company and ultimate parent of the Group) is a company incorporated in England and Wales with company number 02122142 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

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements are prepared on a going concern basis as discussed on page 117.

The financial statements are presented to allow users to understand the primary statements and the related balances that make them up. It is our aim to ensure that the information provided is pertinent and indicates balances of most importance, whilst 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 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 significant 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, if any, 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 2022. 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

The following amended IFRS standards effective for periods beginning 1 January 2022 have been applied:

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9,IAS 41 and IFRS 16

Changes in accounting policy

None of the standards or amendments below had been endorsed by the UK as at 30 June 2022:

- Amendments to IAS 1, Practice Statement 2 and IAS 8;
- Amendments to IAS 1 'Presentation of Financial Statements' – classification of liabilities as current and non-current; and
- Amendments to IAS 12 'Income Taxes' – deferred tax related to assets and liabilities arising from a single transaction.

The Group is currently assessing the impact that the above noted standards and amendments will have on the Group's results reported in the Financial Statements. The Directors do not expect that the adoption of the Standards or amendments 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 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.

5.2 Critical judgements and key sources of 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. There are no critical judgments regarding the application of accounting policies or significant estimates in relation to the preparation of these financial statements.

5.3 Contingencies and commitments

Capital commitments

At the end of the reporting period, the Group had capital commitments of £5.0 million (2021: £0.1m) for software development and IT hardware.

Contingencies

The Group operates in a highly regulated environment and, in the ordinary course of business, provides information to various regulators and authorities as part of informal and formal requests and enquiries. In addition the Group receives complaints or claims in relation to its services from time to time brought by clients, investors or other third parties. These may be notified to the Group or directly to third parties, such as the Financial Ombudsman Service in the case of client and investor complaints investigated and not upheld by the Group.

All such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. There are inherent uncertainties in the outcome of such matters and it is not practicable to reliably estimate the financial impact, if any, on the Group's results or net assets at the period end.

5.4 Subsidiaries

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in note 6.5 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 4 August 2022 the Directors proposed a final ordinary dividend payment of 27.44 pence per ordinary share, payable on 24 October 2022 to all shareholders on the register at the close of business on 23 September 2022 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:

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 of Stuart Louden in the current year. During the year, an agreement was reached to purchase Stuart Louden's interest within the next 12 months.

During the years ended 30 June 2022 and 30 June 2021 the Company has been party to a lease with P K Hargreaves, a significant shareholder during the year and former Director, for rental of the old head office premises at Kendal House. A five-year lease was signed in April 2021 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

During the years ended 30 June 2022 and 30 June 2021, 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.

5.6 Related party transactions continued

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, being those personnel who were a member of the Executive Committee during the relevant year shown, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Short-term employee benefits	8.6	8.9
Post-employment benefits	0.4	0.3
Other long-term benefits	0.4	–
Termination benefits	0.5	–
Share-based payments	5.2	2.6
	15.1	11.8

In addition to the amounts above, eight key management personnel (2021: six) received gains of £1.6 million (2021: £1.7m) as a result of exercising share options. During the year, awards were made under executive option schemes for nine key management personnel (2021: six).

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 2022 £m	Year ended 30 June 2021 £m
Short-term employee benefits	2.6	4.4
Post-employment benefits	0.1	–
Other long-term benefits	0.2	–
Share-based payments	1.4	1.5
	4.3	5.9

In addition to the amounts above, Directors of the Company received gains of £0.7 million relating to the exercise of share options (2021: £0.9m).

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Emoluments of the highest paid Director	1.9[1]	2.7[1]
	Number	Number
Number of Directors who exercised share options during the year	2	2
Number of Directors who were members of money purchase pension schemes	2	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 and current asset listed investments. Financial liabilities comprise trade and other payables.

Categories of financial assets and financial liabilities

The categories and carrying value of the financial assets and financial assets held in the Group's Statement of Financial Position are summarised in the table. The impact of climate change does not have a material impact on the fair values of the assets.

5.7 Financial instruments continued

At 30 June	Financial assets and liabilities at fair value through profit and loss 2022 £m	2021 £m	Financial assets at amortised cost 2022 £m	2021 £m	Financial liabilities measured at amortised cost 2022 £m	2021 £m	Total 2022 £m	2021 £m
Financial assets								
Equity investments	0.8	0.9	–	–	–	–	0.8	0.9
Cash and cash equivalents	–	–	488.3	445.3	–	–	488.3	445.3
Trade and other receivables:								
Trade receivables	–	–	432.6	744.5	–	–	432.6	744.5
Other receivables	–	–	3.7	4.1	–	–	3.7	4.1
Accrued income	–	–	49.0	46.7	–	–	49.0	46.7
Term deposits	–	–	20.0	60.0	–	–	20.0	60.0
Total financial assets	0.8	0.9	993.6	1,300.6	–	–	994.4	1,301.5
Financial liabilities								
Trade payables	–	–	–	–	441.4	712.5	441.4	712.5
Other payables and current lease liabilities	–	–	–	–	35.6	33.7	35.6	33.7
Lease liabilities	–	–	–	–	11.8	15.0	11.8	15.0
Total financial liabilities	–	–	–	–	488.8	761.2	488.8	761.2

5.7 Financial instruments continued

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 2022				
Financial assets at fair value through profit or loss	0.8	–	–	0.8
	0.8	–	–	0.8
At 30 June 2021				
Financial assets at fair value through profit or loss	0.9	–	–	0.9
	0.9	–	–	0.9

There were no transfers between Level 1 and Level 2 assets during the year (2021: £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.

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. The Group'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 and liabilities. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2022, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £508.3 million (2021: £505.3m) 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 £15,045 million at 30 June 2022 (2021: £12,864m). These amounts are not included in the Group Statement of Financial Position.

Impact of change in interest rates on interest on client money in the Consolidated Income Statement.

	2022 £m
Interest on client money +50bps (0.5%)	67.3
Interest on client money -50bps (0.5%)	(37.6)

5.7 Financial instruments continued

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.

• 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 2022, the fair value of investments recognised on the Group Statement of Financial Position was £0.8 million (2021: £0.9m). A 20% move in equity prices, in isolation, would have an impact of £0.2 million (2021: £0.1m).

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.

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, as well as ensuring the Group has access to short-term revolving credit facilities, 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 2022				At 30 June 2021			
	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	406.3	0.4	–	406.7	712.5	–	–	712.5
Other payables, including current lease liabilities	35.6	–	–	35.6	30.3	3.4	–	33.7
Non-current discounted lease liabilities	–	–	11.8	11.8	–	–	15.0	15.0
	441.9	0.4	11.8	454.1	742.8	3.4	15.0	761.2

Balances due within twelve months, in the table above, equal their carrying balances as the impact of discounting is not significant. Included in the trade and other payables and the lease liabilities above are figures in respect of leases accounted for under IFRS 16. These include discounted cash flows in relation to leases over property as outlined in note 2.10. The undiscounted maturity profiles of these amounts is shown on the next page.

5.7 Financial instruments continued

The undiscounted liability in relation to leases is shown below.

	At 30 June 2022 £m	At 30 June 2021 £m
Within one year	4.6	4.8
In the second to fifth years inclusive	12.0	17.3
After five years	–	0.2
Total minimum lease payments	16.6	22.3

The Group has access to a revolving credit facility, with a UK bank. The facility allows the Group to draw up to £75 million (2021: £75m) and is undrawn as at 30 June 2022. The facility incurs interest charges, consisting of a margin of 0.85% plus SONIA per annum when drawn.

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, which is generally two to four days. 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.

The following table discloses the Group's maximum exposure to credit risk on financial assets.

	At 30 June 2022 £m	At 30 June 2021 £m
Financial assets at amortised cost		
Cash and cash equivalents (including restricted cash)	488.3	445.3
Trade and other receivables	436.3	748.6
Accrued income	49.0	–
Term deposits	20.0	60.0
Financial assets at fair value through profit or loss		
Financial investments	0.8	0.9
	994.4	1,254.8

The following table contains an analysis of financial assets that are past due at the end of the reporting period. An asset is past due when the counterparty has failed to make a payment when contractually due and is considered to be a key indicator of risk.

5.7 Financial instruments continued

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, such as the counterparty and the number of days past due.

	Within terms £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 2022						
Trade and other receivables:						
Trade receivables	423.8	3.5	2.0	1.5	1.8	432.6
Other receivables	3.7	–	–	–	–	3.7
Accrued income	49.0	–	–	–	–	49.0
Term deposits	20.0	–	–	–	–	20.0
	496.5	3.5	2.0	1.5	1.8	505.3
At 30 June 2021						
Trade and other receivables:						
Trade receivables	736.5	3.4	1.7	1.5	1.4	744.5
Other receivables	4.1	–	–	–	–	4.1
Accrued income	46.7	–	–	–	–	46.7
Term deposits	60.0	–	–	–	–	60.0
	847.3	3.4	1.7	1.5	1.4	855.3

During the year, the Group has not recognised any credit losses (2021: £nil) in respect of receivables that are not expected to be recovered. At the end of the reporting period, £0.1 million (2021: £0.1m) of credit losses have previously been recognised in respect of trade receivables. These balances have been provided for in full against the value of aged receivables and are presented net in the table above and in the Statement of Financial Position. As a result, the carrying amount of those receivables is £nil (2021: £nil) at year-end.

The expected credit 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 in full. The majority of balances are related to underlying investments that the Group can sell to reclaim losses and therefore, while they are susceptible to macroeconomic factors the potential impact is immaterial given their short term nature, as market balances are generally settled in two to four days.

The table on the following page shows the credit quality of financial assets that are current and not outstanding using the following counterparty grading:

- Financial institutions

In respect of trade receivables, £107.4 million (2021: £225.7m) is due from financial institutions regulated by the FCA in the course of settlement as a result of daily trading and £4.5 million (2021: £5.4m) 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. Daily trading balances generally settle in two to four days.

5.7 Financial instruments continued

The table below shows the credit category of financial assets that are within terms and considered the lowest level of risk.

	Financial institutions £m	Corporate clients £m	Individuals £m	Total £m
At 30 June 2022				
Trade receivables	119.4	0.2	304.2	423.8
Other receivables	3.7	–	–	3.7
Accrued income	26.8	–	22.2	49.0
Term deposits	20.0	–	–	20.0
Investments held at fair value through profit and loss	0.8	–	–	0.8
	170.7	0.2	326.4	497.3
At 30 June 2021				
Trade receivables	181.6	0.1	554.8	736.5
Other receivables	4.1	–	–	4.1
Accrued income	27.4	–	19.3	46.7
Term deposits	60.0	–	–	60.0
Investments held at fair value through profit and loss	0.9	–	–	0.9
	274.0	0.1	574.1	848.2

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.

Capital management – Unaudited

Regulatory capital is determined in accordance with the requirements prescribed in the UK by the FCA. This is a two-step process requiring an assessment of the minimum capital requirements followed by an assessment of individual entity and Group risks of harm to ensure that an additional amount of capital is held above the minimum amount to accommodate the impact of any residual risk of harm.

Minimum capital requirements are calculated as the higher of certain baseline variables (depending on the specific requirements for the legal entity in question). In Hargreaves Lansdown Asset Management Limited (HLAM) this is calculated as the higher of the permanent minimum capital requirement, fixed overhead requirement and k-factor assessment (capital requirement based on the activities a firm undertakes), and in Hargreaves Lansdown plc it is the group capital test which is the book value that the parent company has invested in the underlying entities.

The second step requires investment firms to assess firm-specific and Group risk of harms, and costs of wind down, ensuring that they hold adequate capital over and above the amount set by the minimum capital requirements. The Group completes this assessment of regulatory capital requirements using its Group Internal Capital Adequacy and Risk Assessment process, which is a continuous and forward-looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating actions.

As required by the FCA, the Group carries out both assessments and maintains a significant surplus over the higher requirement at all times.

The Group manages its retained earnings and share capital which total £583.4 million (audited) as at 30 June 2022 (2021: £601.4m – audited). Surplus regulatory capital was maintained through the year at both a Group level, as well as at an individual regulated entity level. Consistent with FCA requirements, HLAM specifically is required to disclose regulatory capital information; this will be available on the Group's website at **www.hl.co.uk/investor-relations**.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	At 30 June 2022 £m	At 30 June 2021 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.5	68.9	54.5
		68.9	54.5
Current assets			
Trade and other receivables	6.6	132.0	215.6
Cash and cash equivalents	6.7	231.9	155.9
		363.9	371.5
Total assets		432.8	426.0
LIABILITIES			
Current liabilities			
Trade and other payables	6.8	192.0	199.0
		192.0	199.0
Net current assets		171.9	172.5
Total liabilities		192.0	199.0
Net assets		240.8	227.0
EQUITY			
Share capital	6.10	1.9	1.9
Retained earnings	6.10	238.9	225.1
Total equity		240.8	227.0

The Company recorded a profit for the financial year ended 30 June 2022 of £246.5 million (2021: £197.2m).

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 4 August 2022.

Amy Stirling
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Share capital £m	Retained earnings £m	Total equity £m
At 1 July 2020	1.9	286.9	288.8
Profit and total comprehensive income	–	197.2	197.2
Increase in investment in subsidiaries	–	4.5	4.5
Dividend paid	–	(263.5)	(263.5)
At 30 June 2021	1.9	225.1	227.0
Profit and total comprehensive income	–	246.5	246.5
Increase in investment in subsidiaries	–	8.3	8.3
Dividend paid	–	(241.0)	(241.0)
At 30 June 2022	1.9	238.9	240.8

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

For the year ended 30 June 2022

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Net cash from operations			
Cash generated from operations	6.9	288.0	169.3
Net cash from operating activities		288.0	169.3
Investing activities			
Decrease in term deposits		40.0	170.0
Purchase of investment in subsidiary		(11.0)	(6.0)
Net cash from investing activities		29.0	164.0
Financing activities			
Dividends paid to owners of the parent		(241.0)	(263.5)
Net cash used in financing activities		(241.0)	(263.5)
Net increase in cash and cash equivalents		76.0	69.8
Cash and cash equivalents at beginning of year	6.7	155.9	86.1
Cash and cash equivalents at end of year	6.7	231.9	155.9

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 Hargreaves Lansdown plc have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 Critical judgements and key sources of estimation uncertainty

As noted in note 5.2 to the Group financial statements 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. There are no critical judgements used in the preparation of the Company's financial statements.

The estimates on the following page are made in respect of the Company financial statements only.

Investments in subsidiaries

The Company is making a significant investment in HL Savings to assist in the development of the Active Savings proposition. Given the long-term economic benefit that this is expected to bring, development costs incurred are being capitalised. The parent company has previously held this investment at cost, in the current year an assessment has been made of the recoverable amount, which requires estimation of future cash flows and appropriate discount rates for the purpose of its calculation. A sensitivity analysis of this estimate is presented in note 6.5.

6.4 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 recorded a profit for the financial year ended 30 June 2022 of £246.5 million (2021: £197.2m).

The Auditors' remuneration for audit and other services is disclosed in note 1.4 to the consolidated financial statements.

6.5 Investment in subsidiaries

Investments in subsidiaries are held at cost, being the fair value of consideration paid and capital contributions made to the subsidiaries.

Impairment assessments are performed at least on an annual basis for all subsidiaries to assess whether the valuation is still appropriate. A comparison is made between the recoverable amount and the carrying value. This requires the calculation of either the fair value, less costs to sell of each subsidiary or the value in use. Value in use is calculated as the present value of discounted cash flows over an appropriate period at a discount rate appropriate for each subsidiary. Any losses are recognised immediately in the Income Statement.

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Investments in subsidiaries		
At beginning of year	54.5	60.0
Increase in investment in subsidiaries	19.4	10.5
Impairment of subsidiary	(5.0)	(16.0)
At end of year	68.9	54.5
Comprising:		
Non-current investments – investments in subsidiaries valued at cost less impairment	68.9	54.5

6.5 Investment in subsidiaries continued

In the prior year, the Company impaired its holding in Hargreaves Lansdown Savings Limited by £16.0m. In the current year, the Company has invested a further £5.0 million in the subsidiary and immediately impaired this investment, recognising this amount immediately as an expense in the year. The amount was determined by calculation of the recoverable amount, using future cash flows at a discount rate of 10.1%. The carrying amount immediately prior to the impairment was £23.8 million (2021: £34.8m). The instigation for the impairment was increasing investment in Hargreaves Lansdown Saving Limited, by the Company, that out paced the return on investment in the short term.

Sensitivity analysis

The valuation was performed over a range of discount and growth rates, with value in use calculations ranging from £13.8m to £26.7m, using discount rates ranging between 9.0% and 11.2%.

A list of the investments in subsidiaries is shown below, along with their country of incorporation and principal activity. Unless otherwise disclosed below, all subsidiaries have one ordinary class of share only and all shares are held by Hargreaves Lansdown plc.

During the year, the Company invested £6.0m in Hargreaves Lansdown Advisory Services Limited to ensure that the subsidiary is able to meet its' strategic capital commitments.

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)		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

6.6 Trade and other receivables

	At 30 June 2022 £m	At 30 June 2021 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	111.7	155.2
Term deposits	20.0	60.0
	131.7	215.2
Non-financial assets:		
Prepayments	0.3	0.4
	132.0	215.6

6.7 Cash and cash equivalents

	At 30 June 2022 £m	At 30 June 2021 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	231.9	155.9

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.

6.8 Trade and other payables

	At 30 June 2022 £m	At 30 June 2021 £m
Financial liabilities		
Amounts payable to subsidiaries	191.5	198.6
Other payables	0.1	0.4
	191.6	199.0
Non-financial liabilities:		
Accruals	0.4	–
	192.0	199.0

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.

6.9 Notes to the company statement of cash flows

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Profit for the year after tax	246.5	197.2
Adjustments for:		
Income tax (credit)/charge	(0.1)	0.2
Impairment in investment in subsidiary	5.0	16.0
Operating cash flows before movements in working capital:	251.4	213.4
Decrease in trade and other receivables	43.6	7.4
Decrease in trade and other payables	(7.0)	(51.5)
Cash generated from operations	288.0	169.3

6.10 Share capital

Details of the Company's share capital are as set out in note 3.1 to the consolidated financial statements.

The Company has a share premium account that represents the difference between the issue price and the nominal value of shares issued and was unchanged at £8,000 throughout the 2021 and 2022 financial years.

The Company has a capital redemption reserve that relates to the repurchase and cancellation of the Company's own shares and was unchanged at £12,000 throughout the 2021 and 2022 financial years.

Details of the movements in retained earnings are set out in the Parent Company Statement of Changes in Equity.

6.11 Related party transactions

The key management personnel of the Company are the Directors of Hargreaves Lansdown plc. 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 (2021: 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 2022 £m	Year ended 30 June 2021 £m
Dividends received from subsidiaries	254.0	215.0
Capital contribution to subsidiaries	14.4	4.5
Amounts owed by related parties at 30 June	111.7	155.2
Amounts owed to related parties at 30 June	191.5	198.6

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.

The capital contribution to subsidiaries is shown net of impairment.

6.12 Events after the reporting period

Events after the reporting period are shown in note 5.5 of the consolidated financial statements on page 151.

6.13 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.

The Company 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, such as the counterparty and the number of days past due. The value of expected credit losses on the assets subject to credit risk is immaterial.

The following table discloses the Company's maximum exposure to credit risk on financial assets.

	At 30 June 2022 £m	At 30 June 2021 £m
Financial assets at amortised cost		
Cash and cash equivalents	231.9	155.9
Included within trade and other receivables:		
Term deposits	20.0	60.0
Amounts receivable from subsidiaries and EBT	111.7	155.2
	363.6	371.1

OTHER INFORMATION

DIRECTORS, COMPANY SECRETARY, ADVISERS AND SHAREHOLDER INFORMATION

Executive Directors
Chris Hill
Amy Stirling

Non-Executive Directors
Deanna Oppenheimer
Andrea Blance
Adrian Collins
Penny James
Moni Mannings
Dan Olley
Roger Perkin
John Troiano

Company Secretary
Claire Chapman

Independent auditors
PricewaterhouseCoopers LLP, London

Solicitors
Freshfields Bruckhaus Deringer, London

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

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	583.0	631.0	550.9	480.5	447.5
Fair value gains on derivatives	–	0.6	1.7	2.2	2.3
Operating costs	(313.0)	(266.0)	(214.9)	(179.4)	(158.7)
Operating profit	270.0	365.6	337.7	303.3	291.1
Finance income	–	1.4	2.8	2.8	1.5
Finance costs	(0.8)	(1.0)	(1.0)	(0.3)	(0.2)
Other gains[1]	–	–	38.8	–	–
Profit before tax	269.2	366.0	378.3	305.8	292.4
Tax	(53.4)	(69.7)	(65.1)	(58.2)	(55.7)
Profit after tax	215.8	296.3	313.2	247.6	236.7
Non-controlling interests	0.5	0.4	(0.1)	(0.2)	(0.4)
Profit for the financial year attributable to owners of the parent company	216.3	296.7	313.1	247.4	236.3
Equity shareholders' funds	575.1	593.5	558.3	457.6	404.0
Weighted average number of shares for the purposes of diluted EPS (million)	474.5	474.5	475.70	475.76	475.41

	Pence	Pence	Pence	Pence	Pence
Equity dividends per share paid during year	50.8	55.6	42.9	40.2	30.5
Basic earnings per share	45.6	62.6	66.1	52.1	49.7
Diluted earnings per share	45.6	62.5	65.9	52.0	49.6
Underlying basic earnings per share	50.4	62.6	57.9	52.1	49.7
Underlying diluted earnings per share	50.4	62.5	57.8	52.0	49.6

1 Relates to a one-off gain on the disposal of Funds Library in the year ended 30 June 2020.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

Measure	Calculation	Why we use this measure
Activity costs	Total cost related to stockbroking and financial services costs on a transactional basis related to the volume of activity undertaken by our clients. This measure is the same as the dealing and financial services costs within note 1.3.	Provides further detail into the increasing costs that are associated with increasing client numbers and increasing transactional revenues, to allow comparison from year to year.
Dividend pay-out ratio (%)	The total dividend per share divided by the basic 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 (see note 3.2).	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.
Dual tech running costs	Represents the costs incurred for parallel running of new and legacy technology systems.	During our digital technology strategy we will be using both legacy systems and new systems in tandem, which will incur increased costs. Once we complete the move away from the legacy systems, these costs will cease to be incurred and so this measure reflects the impact on the group during the strategy.
Ongoing revenue	Revenue that is earned depending on the value of assets held on the platform, including platform fees, management fees and interest earned on client money and represents revenue earned over a period of time.	We believe ongoing revenue provides greater profit resilience and hence is of higher quality than transactional revenue.
Percentage of ongoing 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 ongoing revenue provides greater profit resilience and hence is of higher quality than non-ongoing 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.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES
CONTINUED

Measure	Calculation	Why we use this measure
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.
Strategic investments costs	Costs, including staff and professional fees relating to the planning and commencement of the digital technology strategy, strategic growth initiatives and the cost of expanding associated compliance, infrastructure and support functions.	Costs relating to the planning and commencement of the digital technology strategy and core growth initiatives, which include staff costs, professional fees and technology costs, that are considered separately to reflect the impact on the results of the Group.
Technology costs	Costs associated with the use of third-party software and data feeds used in the performance of daily business. The measure is the same as technology costs within note 1.3.	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.
Transactional revenue	Revenue that is not non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice. This represents revenue earned at a point in time.	Such revenue is not as high quality as ongoing revenue but helps to show the diversification of our revenue streams.
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 statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
Underlying costs	Operating costs less strategic investment costs and the incremental cost of running dual technology systems in parallel during our period of strategic transformation.	Provides relevant information on the year-on-year cost of the underlying business as we go through a period of significant strategic investment.
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 statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
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. In the current year, this is the same as profit after tax attributable to the equity holders of the parent company.	The calculation of earnings per share using unadjusted profit after tax includes gains from transactions that are not repeated annually or that may not indicate the true performance of the business.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES
CONTINUED

Measure	Calculation	Why we use this measure
Underlying profit after tax	Profit after tax attributable to equity holders of the parent company excluding strategic investment costs and the incremental cost of running dual technology systems in parallel during our period of strategic transformation.	Profit after tax includes costs that are part of strategic planning and development. This measure helps to provide clarity between the profit of the business from period to period when those costs are not considered. This is important as we go through a period of significant strategic investment.
Underlying profit before tax	Profit before tax excluding strategic investment costs and the cost of running dual technology systems in parallel during our period of strategic transformation.	Provides the best measure for comparison of profit before tax between financial years.

GLOSSARY OF TERMS

A

AGM Annual General Meeting

AIFMD Alternative Investment Fund Managers Directive

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

AWS Amazon Web Services

B

Basic EPS Basic earnings per share

Board The Board of Directors of Hargreaves Lansdown plc

BRC Plc Board Risk Committee

C

CASS Client Assets Sourcebook

CDP Carbon Disclosure Project

CMD Capital Markets Day

Client retention rate Based on the monthly lost clients as a percentage of the opening month's total clients and averaging for the year. A lost client is deemed as one who falls below a holding of £100

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

CSR Corporate Social Responsibility

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

E

EBT Employee Benefit Trust

ERC Executive Risk Committee

ESG Environmental, social and governance

ExCo Executive Committee

F

FATCA Foreign Account Tax Compliance Act

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

G

GAAP Generally Accepted Accounting Principles

GAYE Give As You Earn

Group Hargreaves Lansdown plc and its controlled entities

GCRO The Group Chief Risk Officer

H

HL Hargreaves Lansdown

HMRC Her Majesty's Revenue and Customs

I

IAS International Accounting Standards

IBS Important Business Services

ICAAP Internal Capital Adequacy Assessment Process

ICARA Internal Capital Adequacy and Risk Assessment

IFPR Investment Firm Prudential Regime

IFRS International Financial Reporting Standards

IPO Initial Public Offering

ISA Individual Savings Account

ISSB International Sustainability Standards Board

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.

MGC Model Governance Committee

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

Nominated Director The non-independent, Non-Executive Director appointed to the Board by Peter Hargreaves pursuant to his shareholder agreement with the Company

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

ORC Operational Risk Committee

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

R

RDR Retail Distribution Review

S

SASB Sustainability Accounting Standards Board

SAYE scheme Save As You Earn scheme

SDR Sustainability Disclosure Requirements

SID Senior Independent Director

SIPP Self-invested Personal Pension

SMCR Senior Managers and Certification Regime

SPP Sustained Performance Plan

SREP The FCA's supervisory review and evaluation process

T

TCFD Taskforce for Climate-related Financial Disclosures

U

UCITS Undertakings for Collective Investment in Transferable Securities

UNSDG United Nations Sustainable Development Goals

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

Y

Year end/financial year Our financial year starts on 1 July and ends on 30 June

Cautionary statement concerning forward-looking statements

This document comprises the Report and Financial Statements for the year ended 30 June 2022 for Hargreaves Lansdown plc (the 'Company') and its subsidiaries.

It contains certain forward-looking statements with respect to the financial condition and the results of the Company, including statements about the Company's beliefs and expectations and including, without limitation, statements containing the words 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking statements. These statements are based on plans, estimates and projections as at the time they are made, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. The forward-looking statements are based on current assumptions and estimates by the management of the Company. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future. Such statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. These risks may include, for example: changes in the global economic situation; a lack of alignment between the Company's propositions and activities and its strategic objectives; poor performance of markets adversely affecting the Company's revenue and impacting strategic expectations; a failure to effectively manage and maintain existing technological architecture, environment or components that are key to operational delivery; a failure to design or implement appropriate policies, processes or technology; a failure to comply with regulatory and legal standards or expectations; a failure to design or implement frameworks to counter financial crime risks; a failure to design or implement appropriate frameworks to manage data and data storage risk; a failure of the Company's culture and values to support appropriate client-focused conduct leading to poor client outcomes; a failure to establish robust operational resilience solutions; and a failure to attract, retain, develop and motivate people who are aligned to the Company's values. Further information on all these risks is provided on pages 55 to 59 of the Strategic Report section of this document. The Company provides no guarantee that future development and future results actually achieved will correspond to the forward-looking statements included here and accepts no liability if they should fail to do so. Neither the Company nor any member of its group undertakes any obligation to update these forward-looking statements, which speak only as at the date of this document and will not publicly release any revisions that may be made to these forward-looking statements, which may result from events or circumstances arising after the date of this document, except as required under applicable laws and regulations. Nothing in this document constitutes, nor should it be construed as, a profit forecast or estimate.

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