

# Sustainability Report 2020





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## 2019 LPL's 30<sup>th</sup> Anniversary

On April 20, 1989, an innovative brokerage firm merged with another forward-looking brokerage firm, creating the birth of LPL.

LPL was established with a singular and noble purpose: to provide advisors and their clients with a trusted alternative to traditional Wall Street firms.

### Last year was the 30th anniversary of LPL Financial.

We celebrated this important milestone by recognizing and saluting all those who have contributed to LPL's success over the years: our employees, our family of financial advisors and professionals, and the investors they serve. We're proud of the work we do every day to serve our clients as they serve their investors.

On the business front, we delivered another year of solid business and financial growth in 2019, driven by a continued focus on our strategic priorities, combined with thoughtful execution and a mission-driven culture. We believe this focus continues to position us well as we serve our clients and drive profitable growth for our shareholders.

While this report is based on 2019 outcomes, I would be remiss not to mention what we have experienced together in recent months. The 2020 slayings of Ahmaud Arbery, George Floyd, and Breonna Taylor raised our national consciousness to the painful history of systemic racism and injustice that must be addressed. The LPL workforce is coming together to do the hard work of self-examination that is required in order to build a more just and equitable society. Our hope is to make a positive contribution through the workplace we create, the industry in which we operate, and the millions of lives touched by LPL advisors. This effort starts with a series of community conversations hosted by MESH/ Diversity's co-founder and increasing our donations to the Association of African American Financial Advisors to help accelerate the delivery of financial advice and economic empowerment in black communities.

In addition, almost all of us would agree this unexpected global health crisis is one of the most difficult situations we have experienced in our careers, I am truly humbled and inspired by the way

our LPL family has responded. As one team on one mission, we focused on:

- Preserving the health of our employees
- Innovating on new ways to maintain and improve service levels for our clients
- Maintaining the resiliency of our systems and the stability of our infrastructure
- Giving back to our communities

We continue to monitor the situation with COVID-19 very closely. At the same time, we continue to invest in our business to support our clients as we grow and win together in the marketplace. One of the areas where we have solid momentum is our ESG journey.

Our sustainable framework begins by applying an ESG lens to all of our business priorities.

**Strategy:** To create conditions that will underpin the sustainability of an industry-leading service experience, and to develop ESG as a business driver that helps our clients operate and grow their practices.

**Execution:** Ensuring sustainable quality as we continuously improve. Reducing waste and prioritizing resources—both human and financial—where they most positively impact our clients.

**Culture:** ESG is the epitome of one of our cultural values around big picture thinking, encouraging us to think about every upstream and downstream impact to our business and the environment we operate in.

Our 30th anniversary is a great time to take pride in what we have accomplished together: 30 years of taking care of our advisors and financial professionals, so they can help millions of Americans build better, more secure futures.

Sincerely,

**Dan Arnold,**  
President and Chief Executive Officer

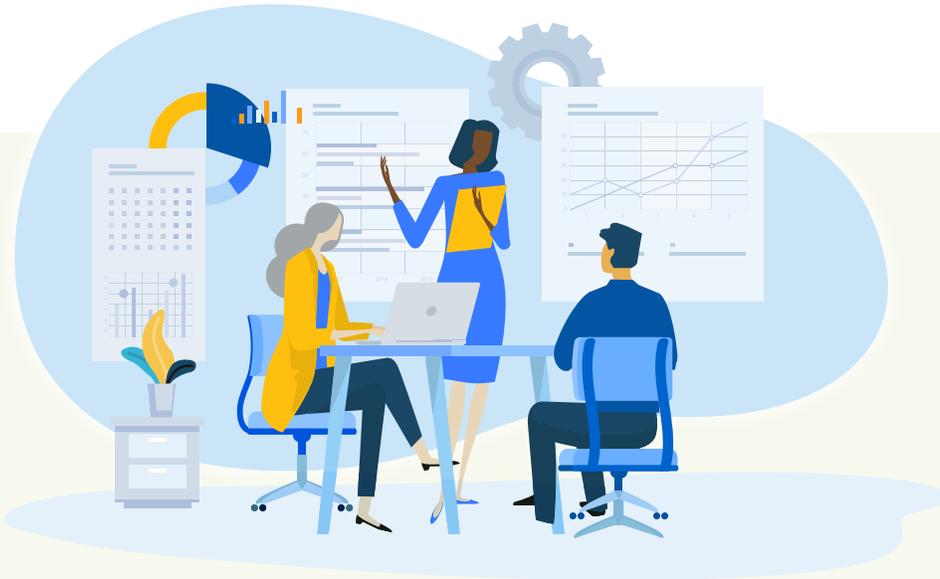


# About LPL

## Empowered to Make a Difference

As a leading retail investment advisory firm and the nation's largest independent broker/dealer,<sup>1</sup> we serve independent financial advisors, professionals and financial institutions by providing them with the technology, research, clearing and compliance services, and practice management programs they need to create and grow their practices. Our financial advisors provide objective financial guidance to millions of American families seeking wealth management, retirement planning, financial planning, and asset management solutions.

We take care of our advisors, so they can take care of their clients. That is our mission at LPL Financial, and it inspires and guides everything we do.



### LPL's Financial Advisors

**5.7 Million**  
Client Accounts

More than  
**16,400**  
Advisors

Average  
**20 Years**  
of Industry Experience

### LPL's Advisors at a Glance

Our advisors are a diverse community of over 16,000 entrepreneurial investment and brokerage financial advisors and professionals supporting approximately 5.7 million client accounts. They average 20 years of industry experience and build long-term relationships with their clients in communities across the United

States by guiding them through the complexities of investment decisions, retirement solutions, financial planning, and wealth management.

Making it easy for our advisors to do what is best for their clients is our top priority. Our services are designed to support and advance our advisors' businesses over time while adapting to an ever-changing

marketplace. As a result, our advisors trust that we will meet their evolving needs by providing them the tools and platforms to help them grow and enhance the profitability of their businesses. In turn, their clients can trust that our advisors will do what is right for them.

<sup>1</sup> As reported in *Financial Planning* magazine June 1996-2019, based on total revenues



# Who We Are

LPL was founded with a pioneering vision: to help entrepreneurial advisors establish successful businesses through which they could offer truly independent financial guidance and investment advice.

## Our History

In 2019, we celebrated our 30th anniversary. At the heart of our founders' vision was freedom and independence. Thirty years later, these principals continue to drive everything we do. From the beginning, our founders recognized the need to create a trusted alternative to traditional financial firms. They envisioned a company that would empower individual financial advisors to serve the complete spectrum of investor needs, while maintaining

autonomy over their practice and their business. When like-minded firms, Linsco and Private Ledger (founded in 1968 and 1973, respectively), merged in 1989, this vision was given life through LPL Financial.



Since then, we have continued to evolve. In 2005, we sold a 60% ownership stake to investment affiliates of two private equity partners, Hellman & Friedman LLC

and Texas Pacific Group. In November 2010, our parent company, LPL Financial Holdings Inc., was listed on the NASDAQ Global Select Market® under the symbol "LPLA" and became publicly traded. Today, we are the largest independent broker/dealer in the country,<sup>1</sup> supporting more than 16,400 financial advisors. As we continue to grow and look to the future, we are committed to remaining a trusted resource for our financial professionals and their clients. The financial services industry, markets, and the world are changing quickly, while people are living longer and facing more complex financial needs. Financial advisors, professionals, and institutions need a partner who can help them meet the evolving needs of their clients.

<sup>1</sup> As reported in *Financial Planning* magazine June 1996-2019, based on total revenues

Entry signage to San Diego campus





## What We Do

We achieve success by helping our financial advisors succeed. It's a simple business model with a singular focus: enabling our advisors to create and grow highly profitable businesses by providing them with the services and tools to meet the needs of their clients.

Simply put, our business is dedicated to our advisors. We are not a market-maker, nor do we offer investment banking or underwriting services. We offer no proprietary products of our own. Because we do not offer proprietary products, we enable the independent advisors, banks, and credit unions that we support to offer their clients objective advice.

We support our advisors by providing front-, middle-, and back-office solutions through our distinct value proposition: integrated technology solutions, comprehensive clearing and compliance services, consultative practice management programs and training, and independent research. The comprehensive and increasingly automated nature of our offering enables our advisors to focus on their clients while successfully and efficiently managing the complexities of running their own practices. Our flexible business platform allows our advisors to choose the most appropriate business model to support their clients, whether they conduct brokerage business,

offer brokerage and fee-based services on our corporate registered investment advisor (RIA) platform, or provide fee-based services through their own RIA firms.

In order to be licensed with LPL Financial, advisors must be approved through our assessment process, which includes a review of their experience and compliance history, among other factors. The majority of our advisors are entrepreneurial independent contractors who are primarily located in rural and suburban areas and are viewed as local providers of independent advice. Many operate under their own business name.

## LPL Financial

### LPL Financial Holdings

LPL Financial is a clearing broker-dealer and an investment advisor that primarily transacts business as an agent for our advisors and professionals on behalf of their clients by providing access to a broad array of financial products and services. LPL also has the following subsidiaries:



#### **The Private Trust Company, N.A.**

Provides trust administration, investment management oversight, and individual retirement account (IRA) custodial services for estates and families



#### **AdvisoryWorld**

Offers technology products, including proposal generation, investment analytics, and portfolio modeling for both LPL's advisors and external clients in the wealth management industry



#### **Fortigent Holdings Company, Inc. and its subsidiaries**

Provides solutions and consulting services for RIAs, banks, and trust companies serving high-net-worth clients



#### **LPL Insurance Associates Inc.**

Operates as a brokerage general agency that offers life and disability insurance sales and services



#### **LPL Employee Services, LLC is a holding company for Allen & Company**

Broker/dealer and RIA with a new and differentiated model that preserves the principles of independence while wrapping employee services around it



# LPL at a Glance

We offer access to **220** sustainable mutual funds and **82** sustainable exchange-traded funds

**\$5.6 BILLION**  
2019 net revenue

**\$5.6B**



**44.4%**  
of our directors are women or minorities

**4,343**  
full-time employees



**16,464**  
financial advisors and professionals



We contributed over **\$1.5 MILLION** to nonprofit firms

**72,306**  
hours of training logged by our financial advisors



**94,730**  
hours logged by our employees



Our three primary office buildings are **LEED CERTIFIED**



**90%**  
satisfaction rates for both employee and advisor training



# About This Report

## Report Boundaries

Unless otherwise noted, this report covers calendar year 2019 and provides qualitative and quantitative information on our approach to managing environmental, social, and governance (ESG) issues. Some initiatives or targets that were launched during early 2020, such as our response to COVID-19, are also included in this report to provide up-to-date information for our stakeholders. We intend to continue to report on ESG topics annually. For additional information, you can visit [LPL's social responsibility page](#). This report covers LPL's ESG efforts across our company, including our subsidiaries.

When we use the terms "LPL," "we," "us," "our," and the "company," we mean LPL Financial Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates. The intended audience of this communication

is the general public and the purpose is to communicate the business operations of LPL Financial. Throughout this communication, the terms "financial advisors" and "advisors" include registered representatives and/or investment adviser representatives affiliated with LPL Financial LLC, an SEC registered broker-dealer and investment adviser.

## Reporting Guidelines and Content

We prepared this report leveraging the Global Reporting Initiative (GRI) Sustainability Reporting Standards reporting framework and Financial Services Sector supplement disclosures as guidance. The Sustainability Accounting Standards Board (SASB) Asset Management & Custody Activities, Customer Finance and Investment Banking & Brokerage industry guidance also influenced the key topics and metrics covered within this report.

In early 2019, we engaged with internal stakeholders and conducted a benchmarking of external information (or sustainability materiality assessment) to inform our ESG priorities. The process and results of the sustainability materiality assessment are described on page 11 of this report. The topics covered in this report were defined based on the results of the materiality assessment.

## Reporting Uncertainties

Non-financial information is subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Statements in this sustainability report and LPL Financial Holdings Inc.'s website regarding the company's ESG initiatives and future operating results, outlook, growth, plans, and business strategies, including statements regarding projected savings and anticipated improvements to the company's operating model, service offerings, technologies, and ESG metrics as a result of its initiatives and programs, as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the company's historical performance and its plans, estimates, and expectations as of June 1, 2020. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include execution of the company's plans and its success in realizing the benefits expected to result from its initiatives and programs, including its customer service and technology initiatives, and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2020 Annual Report on Form 10-K, as may be amended or updated in the company's Quarterly Reports on Form 10-Q or other filings with the SEC. Except as required by law, the company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this report, even if its estimates change, and you should not rely on statements contained herein as representing the company's views as of any date subsequent to the date of this report.



# ESG Vision at LPL

## Connecting Our Mission to Our ESG Vision

At LPL, our mission drives everything we do. It keeps us focused, agile, and accountable so we can take care of our advisors even as demographics change, new technologies emerge, and our industry transforms.

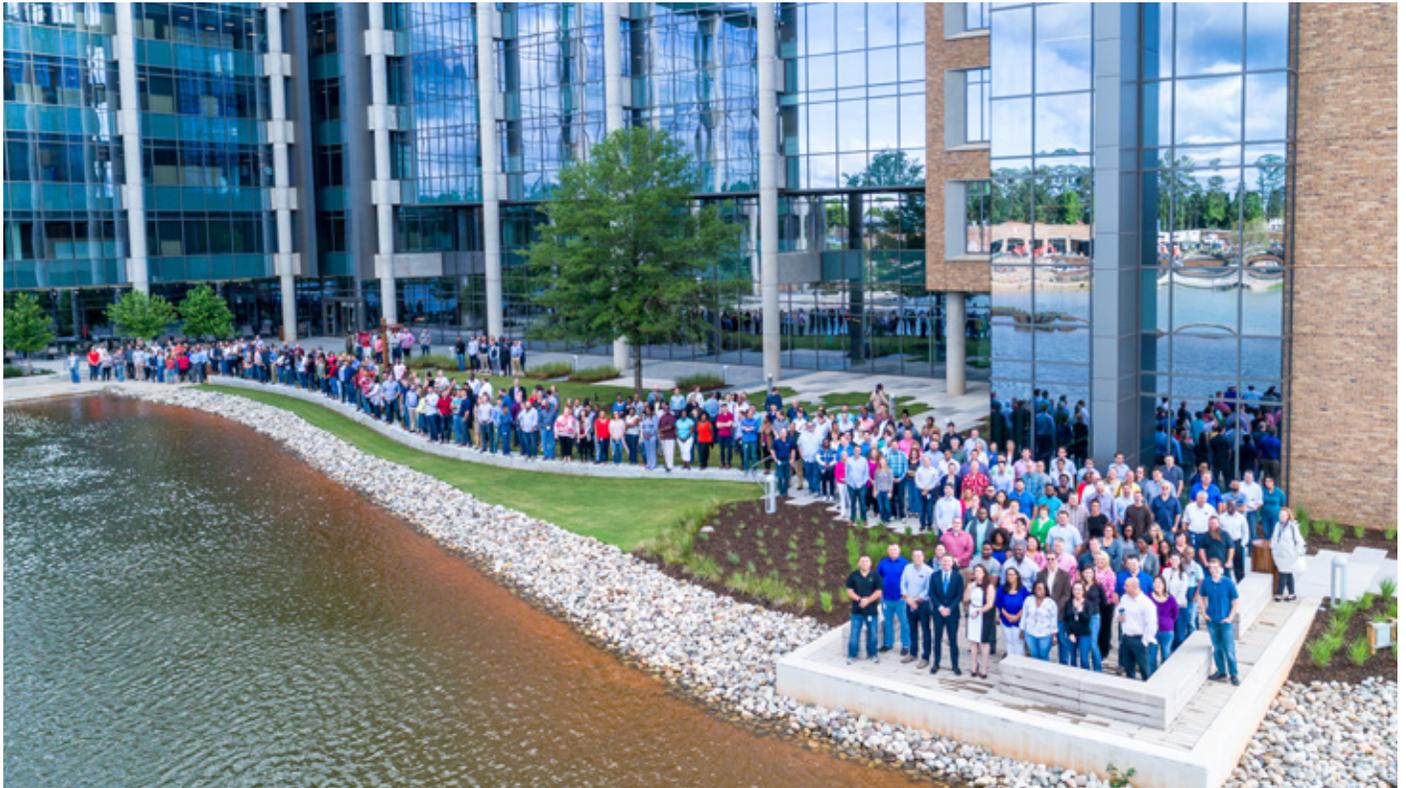
Our mission also ensures we focus our business on areas that create the greatest positive impact. While at its core LPL's business affects our employees, our advisors, and their clients, we also recognize that there are ESG factors we affect through our work.

To ensure we're embracing these factors as we execute our mission, we pursue an ESG vision: to take care of our advisors and their clients by operating responsibly and ethically and strengthening trust with our mutual stakeholders. LPL's ESG vision guides our ESG priorities and commits us to conducting our business in a responsible manner. Ultimately, achieving our ESG vision reinforces our ability to create value for all our stakeholders.



Our vision is to take care of our advisors and their clients by operating responsibly and ethically and strengthening trust with our mutual stakeholders.

One team on one mission.



## ESG Topics in Focus

In 2019, we conducted a materiality assessment to determine the significant ESG areas for our company. Specifically, we:

- Gathered information from external sources to identify potential ESG topics. Our sources included global reporting guidelines, such as GRI and SASB, sector benchmarking, criteria from indices and ranking agencies, and other sources.
- Engaged our key stakeholders, including our employees, leadership team, and advisors, to identify and prioritize the ESG issues with the most significant potential impact on our business.
- Gathered a cross-functional group of senior LPL leaders to rank ESG topics and identify

ESG focus areas. We conducted interviews with our executives to understand the ESG risks and opportunities for the company.

- Surveyed our advisors to understand the ESG topics that would have an impact on their own businesses. The materiality matrix on the following page captures the results of our assessment and was the basis for the development of our ESG framework.

These topics helped us define our ESG framework, which allowed us to develop and deploy sustainability initiatives aligned with our values. Ultimately, we found a high degree of correlation between the material areas identified and our mission and management approach to serving

our advisors, developing our talent and culture, mitigating systemic risk, and adapting to changing market dynamics. While environmental topics were less material to our business, given the nature of our operations, we are focused on being good stewards of the environment and understanding our climate risks. Therefore, we included information about these topics within this report.

We continually work with senior leaders from across the company to evolve our ESG focus areas. While the materiality assessment was our base for starting, we recognize the need to be fluid to address those ESG topics where we feel we can have the largest impact, and to ensure they align with our firm values and goals.



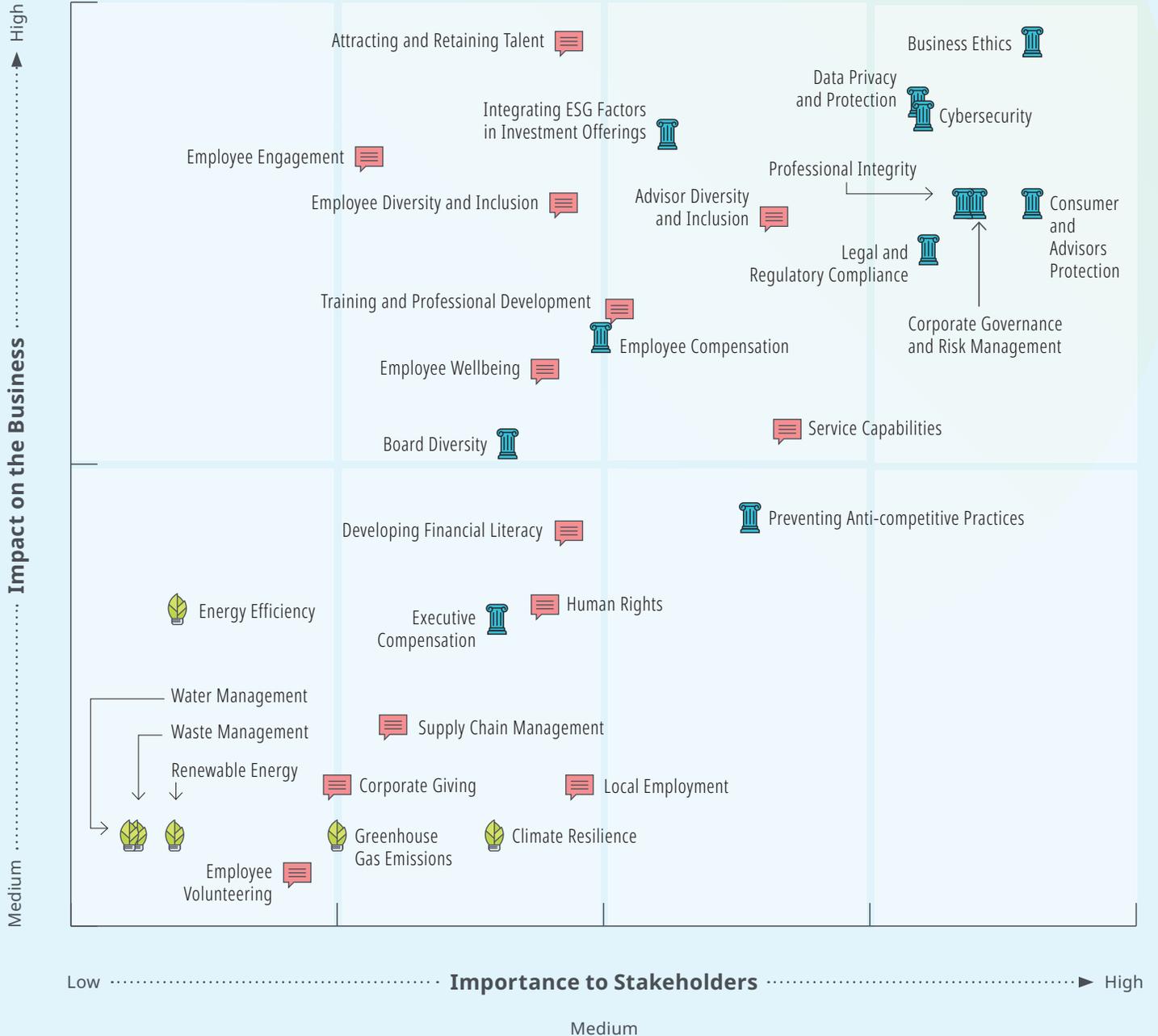


# Materiality Matrix

Environmental

Governance

Social





### Supporting the United Nations Sustainable Development Goals

In 2016, the United Nations (UN) launched the UN Sustainable Development Goals (SDGs), which consist of 17 goals and 169 targets geared toward solving the world’s most pressing problems, including ending poverty, achieving gender equality, reducing inequality, taking action on climate change, achieving food security, protecting the planet, and ensuring sustainable prosperity for all.

The SDGs are intended to frame the agendas and political policies of UN member states over the subsequent 15 years—which includes active participation from state and local governments, non-government organizations, the private sector, and citizens.

At LPL, we’re seeking to support the SDGs and play our part in achieving their goals. We’re currently developing a focused approach to align our ESG aspirations with the SDGs. As we continue building out our ESG strategy and long-term goals, we will consider SDG priorities.

## Corporate Governance

We are committed to high standards of corporate governance that serve the best interests of our firm and our stakeholders. We have strong policies and standards designed to safeguard the interests of LPL’s advisors, ensure compliance with applicable laws, and provide accountability and control systems commensurate with our firm’s business activities. We are governed by a board of directors that meets throughout the year as a group and that has established three standing committees: the Audit Committee, the Compensation and Human Resources Committee, and the Nominating and Governance Committee.

## ESG Governance

Our board of directors supports LPL’s efforts to serve its stakeholders’ interests. The Nominating and Governance Committee provides oversight of our corporate social responsibility program, which began in 2008 with a focus on community involvement. This focus evolved to become our ESG program, subsequently expanding to encompass additional social and environmental matters that are aligned with our strategy and culture.

Our executive vice president and chief marketing and communication officer provides executive oversight of our ESG strategy. In addition, our Nominating and Governance Committee reviews the progress against our ESG program on a quarterly basis.



LPL’s history wall in our San Diego office.

### Corporate Governance Highlights

- All directors on our board, other than our chief executive officer are independent under applicable NASDAQ and SEC rules
- All directors are elected annually
- Women and minorities comprise 44.4% of our directors
- We have a strong commitment to stakeholder engagement
- We annually evaluate the board and its committees’ performance, operations, size, and composition, with the Nominating and Governance Committee overseeing the evaluation process



# Our Employees and Advisors

## LPL FINANCIAL ACROSS AMERICA



At LPL, we keep our advisors at the heart of everything we do. We are united by a shared mission of “taking care of our advisors so they can take care of their clients,” and we recognize that our success relies on achieving this as one team on one mission.

Knowing that our employees are key to realizing our mission, we do everything we can to hire the best talent and ensure they are motivated, engaged, and highly skilled. We also leverage the strengths of our advisors to build on our inclusive, client-centric culture. In doing so, we support our company-wide goal of being an essential partner to our advisors and their clients.

### Our Values

- **We operate as one team on one mission:** Taking care of our advisors so they can take care of their clients.
- **We seek, embrace, and apply feedback:** We view feedback as a powerful tool, and strive to create a culture that embraces continuous improvement.
- **Stop and consider the big picture:** At LPL, we exercise judgment, spot issues before they happen, and solve problems using data and logic.
- **Value progress over perfection:** We encourage our people to experiment, learn, iterate, share bold ideas, and take calculated risks to help us create extraordinary new capabilities.
- **Deliver results for our advisors and their clients:** We keep our advisors at the heart of everything we do.



# Our Employees

Our success as a company is dependent on dedicated employees who continuously strive to make our mission a reality. We endeavor to be an employer of choice, with passionate, innovative, fully engaged employees. To achieve this, we foster a strong culture that reaches across all aspects of our business.

## Fair Labor Practices

As part of our commitment to our culture, we maintain clear policies and procedures to enforce our commitment to diversity, equal opportunity, and a safe, inclusive workplace:

- At LPL Financial, how we conduct business is as important as the business we conduct, and the way we respect human rights is embedded in everything we do and in our values as a firm. Our company policies promote practices that are consistent with the UN Guiding Principles on Business and Human Rights and the Principles for Responsible Investment.
- As an equal opportunity employer, we make employment and promotion decisions on the basis of job-related criteria, recognizing the principle of equal employment opportunity. Our policies prohibit discrimination based on race, color, religion, sex, sex stereotyping, gender, gender identity, gender expression, national origin, age, mental or physical disability, ancestry, medical condition, marital status, military or veteran status, citizenship status, sexual orientation, genetic information, or other circumstances or characteristics worthy of protection.
- We are committed to maintaining a work environment that is free of harassment and discrimination and expect every employee to show respect for colleagues, clients, employees, and vendors, as outlined in our policy against sexual harassment. To ensure that our colleagues understand and abide by this expectation, all employees are required to participate in mandatory Harassment Prevention training. In 2019, 4,956 Harassment Prevention trainings were completed at LPL for a total of 6,410 hours. Furthermore, our workplace training program includes courses on Workplace Violence, which provide detailed information on employee responsibilities and expectations, how to identify behaviors and warning signs, and how to take action and report issues.
- Our commitment to equal opportunity and non-discrimination also applies to our remuneration practices. We believe in fair compensation and review our pay equity at all levels to ensure that individuals with similar roles and responsibilities are receiving comparable wages, with bonuses determined on the merits of their performance and potential.

For more information on our fair labor practices, please visit our [Code of Conduct](#).

## Fair Labor and Health & Safety Policies

- Policy Against Sexual Harassment and Other Workplace Harassment
- Policy Against Retaliation
- Drug and Alcohol Policy
- How LPL Financial Secures Your Information Policy
- Physical Security Policy
- Safety Policy

## Our Stance on Human Rights

It is our commitment to conduct ourselves in a lawful, professional, and ethical manner. The work our LPL employees and independent advisors do every day makes a difference to millions of people across the country. We take that very seriously. We believe we can make a positive difference if we begin by respecting the basic fundamental freedoms of human rights.

For more information, please read our [Human Rights statement](#).

Entrance to our Fort Mill, SC office.





### Employee Engagement

At LPL, we seek, embrace, and apply feedback. This is one of our core values because we view feedback as a powerful tool, and we strive to create a culture that embraces continuous improvement. To empower our employees to provide their perspectives on our business, we check in with them twice a year via a survey called “LPL Listens.” This survey gauges employee sentiment and helps ensure that our colleagues feel heard.

Our LPL Listens employee-engagement survey helps us understand what we are doing well and where we can improve, while also measuring satisfaction in such areas as benefits, compensation, community involvement, and diversity and inclusion, among other relevant topics. In 2019, our LPL Listens survey elicited a

94% response rate, which was a 2% increase compared with 2018. Overall, employee engagement was 71.7% favorable, up about 3% compared to the previous year.

Using our survey results as guidance for our engagement initiatives, in 2019 we continued our cultural transformation program by introducing new LPL values. This initiative consisted of employee-centric activities designed to enhance our culture, such as a “values tracker” game board and videos from leadership released throughout the year. In addition, we launched My LPL Rewards, a firm-wide, employee recognition and rewards program that allows employees to reward each other when they demonstrate one of our values through the meaningful work we do on behalf of our advisors. Employees can then redeem points earned for gift cards, event tickets, travel, and more.

It is important that our employees feel supported and have the right tools and resources to achieve a balance among their commitments to career, family, and community. To aid this balance, we invest in health and benefits programs that support varied lifestyles. These include retirement plans, health and wellness programs, and other employee benefits, which are generally available to all full-time employees, as well as part-time employees working at least 30 hours per week. Our benefits packages are comprehensive and fully or partially available to over 99% of our workforce.

The Power of Networking, Cal State San Marcos



May Serve Days, Values in Action

### Retirement Benefits

We offer our employees’ retirement plans to support their long-term financial goals. 92% of our employees participate in our 401(k) retirement plan, with an average employee salary contribution rate of 8%. LPL matches 75% of employee contributions up to 8%.





### Employee Health and Wellness in the Workplace

Supporting our employees' health and work-life balance also helps our teams succeed. To create a healthier workforce, increase employee morale, and foster continued employee engagement, we provide a robust suite of health and wellness benefits, including:

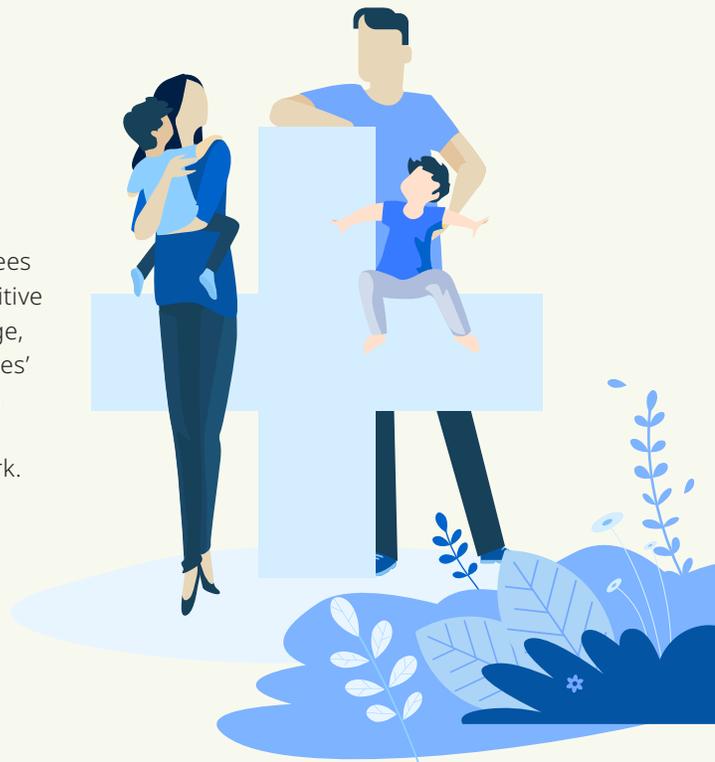
- Medical coverage, including telemedicine, Compass Health Pro concierge health advocate services, and Best Doctors second opinion, case management, and education services
- Dental and vision coverage
- Healthcare and dependent-care flexible spending accounts
- Health Savings Accounts
- LPL Live Well employee well-being program, including on-site instructor-led fitness classes in our fitness centers, on-site medical clinics, and nutritional counseling
- Free health and wellness tools and resources through the LPL Live Well portal, led in partnership with Plus One Health Management and Optum Company
- Employee relief fund, providing financial assistance to employees and their immediate family members who experience losses from emergencies beyond their control
- Employee assistance program, including clinical counseling and work/life services for employees and their families
- Accident and critical illness coverage
- Life and accidental death and dismemberment insurance
- Short-term and long-term disability insurance
- Ergonomic resources
- On-site cafeterias featuring health-conscious menus
- Walking, running, and bike paths and trails adjacent to our office buildings in Fort Mill
- Mountain bikes and sports equipment for employee use

### Benefits We Offer Our Employees

- 401(k) retirement plan
- Generous paid-time off (PTO) policy including unlimited PTO for all exempt employees
- Paid time off to vote
- Paid volunteer time off
- Paid parental leave policy
- Employee stock purchase plan
- Adoption assistance
- Tuition assistance for postgraduate education
- Commuter reimbursement program

### Employee Health and Wellness

At LPL, we offer a generous medical plan backed by an annual \$50 million budget solely used for employee medical expenses. Our premiums cost our employees less than almost all competitive benchmarks, and on average, we pay 80% of our employees' medical premiums, which is about 5% higher than the average industry benchmark.





### Employee Training and Professional Development

To ensure that new employees integrate seamlessly into our culture, business, and the work they will be a part of every day, we provide a robust new-hire experience, as well as extensive training for our Service teams to acquaint them with our business. Our four-day new hire orientation service training program covers topics such as how to provide stellar customer service and the importance of client relationships, which is taught through a live panel with our advisors. Moreover, our service professionals participate in an eight-week training program that covers a broad range of topics including understanding financial services, completing forms, and providing exceptional support to our advisors. Our training and development programs, which are spearheaded by our chief human capital officer and human resources executive team, also help our employees learn and keep their skills fresh. In 2019,

our employees spent approximately 94,730 hours participating in our training programs, where 15,441 (16%) hours were spent on business ethics and compliance training. For the 2019 reporting period, this equated to an average of 21.2 hours of training per employee.

We track our training and development programs through quarterly reports. These reports illustrate participation in instructor-led trainings and e-courses, as well as use of the resources we provide. In addition, we keep track of our learner satisfaction scores to let us know what our employees think about the content we provide. Overall, our employees reported satisfaction rates of 90% in 2019. Furthermore, we utilize surveys, assessments, observations, and post-engagement performance reviews to assess the efficacy of our training and development program. Reviewing our training initiatives helps us continuously improve and identify new ways to engage and train our employees.

### LPL's 3Es of Training and Development

LPL employs what we refer to as a 3Es approach to training and development. That includes:

**Experience:** On the job learning



**Exposure:** Learning through others



**Education:** Formal training



### Employee Training

	2018	2019	% Change
Total training hours	109,000 hours	94,730 hours	-13%
Learner satisfaction score	85%	90%	+5%



Certain concepts are fundamental to maintaining a great workplace and work environment. That is why we make it mandatory for employees at all levels to regularly participate in required training programs. Topics include data privacy and security, ethical behavior, workplace safety, workplace harassment, anti-money laundering, home office security, working with senior and vulnerable adults, insider trading, privacy, and workplace violence, among others.

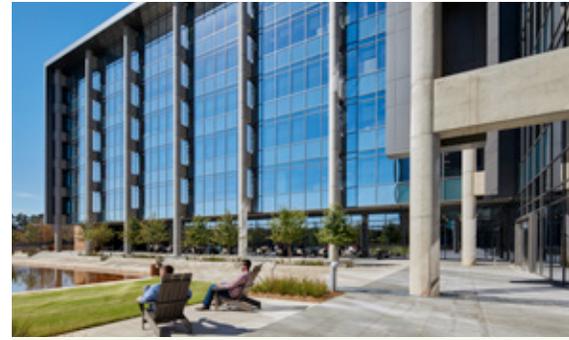
We also offer an extensive mix of training programs to help our employees in their personal and professional development. LPL's Corporate University is a virtual portal that provides employees, contingent workers, and interns easy access to learning opportunities. In addition, there are programs specifically for managers, executives, emerging leaders, and others who aspire to optimize their skills and career opportunities. A few examples from our vast collection of training and development programs include:

- **LPL Development Center:** The LPL Development Center features numerous resources to help employees at any stage of their career stretch their talents, identify their interests, expand their skill sets, and prepare for new opportunities.
- **Harvard ManageMentor®:** LPL's Corporate University, LPL U, includes Harvard ManageMentor® for management and leadership skills training and Skillsoft® for a variety of business-related courses.
- **Leading with Excellence:** Leading with Excellence establishes the foundation for what leadership

looks like at LPL. The five-week, multi-model program focuses on the development of leadership skills for current and newly hired managers. Each participant receives a coach who is available to support them through the program with homework questions and in preparation for their capstone project, which features participants' leadership philosophies.

- **Coaching for Performance:** During this course, our leaders learn how to create a coaching-for-performance culture that empowers performance, improves engagement, and enhances our cultural transformation. People managers may also practice different scenarios to learn our new coaching model.
- **Learning Labs:** These monthly trainings cover a variety of timely topics relevant to all people leaders and focuses on providing them continual leadership development opportunities, as well as an outlet for ongoing, cross-functional networking and collaboration.
- **Transition Assistance:** We provide employees with training, services, and resources that help them transition to the next step in their careers.

Our training programs also help our employees develop skills as they are promoted to new levels. For example, our Leading with Excellence training provides training for basic people management skills for new managers, newly promoted managers, or employees seeking to gain these skills. This training course creates a peer community for LPL people managers to connect outside of



Lakeside at our Fort Mill office.

### Respectful Workplace

In 2019, we launched a new, annual Respectful Workplace training. This self-paced course, which is mandatory for all our employees, reinforces our expectations on working together—both with our colleagues and our advisors—respectfully.

their teams—and to learn from each other through interactive discussions, case studies, and small group activities. In 2019, an additional 112 managers completed Leading with Excellence, representing 50% of all managers, for a total of 2,688 hours.

In addition to the numerous professional growth and development programs we offer, we also host a review process to help guide our employees in their career progression. This process, LPL's Talent Review, is an annual assessment that identifies high-potential leaders and supports the development of succession plans for senior-level leaders.



## Our Advisors

We engage with our advisors to identify the support they need to best serve their clients. We offer a variety of training opportunities to help them hone their skills and apply new perspectives to their work. In 2019, our advisors logged approximately 72,306 hours participating in our training programs. Our post-training surveys indicate that 90% of participants were satisfied with the content we provided.

### Advisor Training Opportunities

Our advisors are offered a variety of training opportunities to facilitate their growth and development. These include, but are not limited to:

- Technology & Resources Forum:** This training is designed to increase proficiency in LPL's investment tools and resources.
- Financial Professional University:** We provide our advisors best practices and materials that can enhance their business and the services they provide to their clients.
- LPL Office Essentials:** A strategic educational program consisting of learning paths and levels designed to increase effectiveness in the areas of industry knowledge, client service, office management, technology, marketing, and professional development. There is a library of more than 200 on-demand training programs to help them serve their clients and grow small businesses.
- Technology Ambassador Series:** This series of webinars helps advisors stay current on "what's new" with technology at LPL and provides strategies for successfully adopting enhancements in their offices so they can maximize their business and efficiency.

In addition, our advisors are required to participate in Firm Element training. The trainings included in Firm Element, which are compliant with the Financial Industry Regulatory Authority (FINRA), cover topics such as conflicts of interest, security and privacy, the Annual Compliance Meeting, and anti-money laundering, financial crimes, and fraud. In 2019, our advisors logged over 34,121 hours of Firm Element training.

### Advisor Engagement And Training

	2018	2019	% Change
Total training hours	76,000 hours	72,306 hours	-5%
Total mandatory business ethics and compliance training hours	29,000 hours	34,000 hours	+17%
Learner satisfaction score	90%	90%	0%

### Advisor Feedback

We also engage with our advisors using the Net Promoter® System (NPS) methodology to monitor and act on their feedback. The tool allows us to collect their input and translate it into actionable plans. We conduct NPS surveys three times a year, and had a 45-point increase from the beginning of 2018 to the end of 2019. The increase was in large part driven by our renewed focus on making it easier for our advisors to do business with us.

As part of that effort, we assembled a Continuous Improvement team dedicated to capturing, evaluating, and acting upon advisor feedback. Work centered around enhancing the platforms they use most; simplifying processes, policies, and forms; and improving our service experience.

In late-2019, with positive results stemming from our 2018 Ease of Doing Business initiative, we evolved our focus into our Care Model transformation, which is about creating an industry-leading experience that can't be found anywhere else in the wealth management space. We're starting with the service experience, providing new ways to meet advisors how, when, and where they want.





# Diversity and Inclusion

We aspire to be one of the most diverse and inclusive places to do business. From financial professional recruitment and training to strengthening our culture of inclusiveness for all advisors and employees, we are actively working to make this vision a reality.

## Increasing Employee Diversity and Inclusiveness

We believe that diverse teams, when managed in a culture of inclusion, are more creative, more productive, and better at problem-solving. With this understanding, diversity and inclusion is one of our top priorities, and we continuously pursue initiatives that drive greater diversity and inclusion amongst our employees and advisors.

On our leadership teams, three of our 10 executive officers and one-third of our directors are women. Our board has a mix of men and women, ethnicities, generations, and tenure. Among our employees, 46.2%

are women. We believe diversity within our workforce will continue to grow due to our focus on equality in opportunity and compensation.

In 2019, we launched a diverse-slating criterion within the hiring processes conducted in our business units to increase diversity in our talent pipeline. While we're currently trending above our peers in our diversity and inclusion percentages, we're also continuously building on our programming and will expand upon our diverse hiring initiatives to create a more cohesive diverse talent acquisition strategy.

### Snapshot of Employee Diversity

	2019
Female employees	46%
Ethnic minority employees	41%
Female senior leaders	28%
Ethnic minority senior leaders	7%
Employees in an employee resource group (ERG)	34%
Board of Directors diversity (women and minorities)	44%
Total full-time and contingent employees	4,456

## Inclusivity Begins with Listening

We strive to help our advisors understand the dynamics that matter to the communities of investors they work with, including those of varying backgrounds and belief systems. We encourage them to begin every new client relationship by asking thoughtful questions and listening. We believe diverse perspectives benefit financial decisions, but diverse perspectives may be heard only when diversity and inclusion are embraced.



Our *Around the Table* video series features honest conversations among LPL leaders and advisors from a wide variety of backgrounds.



## Sharing Interests and Experiences

Among the ways we foster diversity and a culture of inclusivity is through our Employee Resource Groups (ERG), which bring together employees who share common interests and experiences through a variety of events, including seminars, guest speakers, meet-and-greets, and charitable events. We now have 11 unique Employee Resource Groups; 18 total chapters, including four national chapters; and 16 executive sponsors. Currently, 1,488 employees, or 34%, of LPL's employees belong to at least one Employee Resource Group. Overall, we have seen a 31% increase in ERG membership since 2018, with many of our employees actively participating in multiple ERGs, which include:

- AfricanAmericans@LPL
- Asians@LPL
- Hispanics@LPL
- PrideAlliance@LPL
- Veterans@LPL
- Women@LPL
- WorkingParents@LPL
- YoungProfessionals@LPL
- PeoplewithDisabilities@LPL
- Sustainability@LPL
- Volunteers@LPL

Our Employee Resource Groups continue to play an invaluable role in fostering an inclusive work environment and enabling open conversations, as well as offering leadership opportunities to our employees.

## Spreading Awareness

Throughout the year, we use podcasts, articles, and other materials and events to share perspectives and experiences that enable us to understand each other. In addition, we take advantage of national awareness campaigns to learn about various cultures and experiences and celebrate the contributions of various groups.

In addition, we also sponsor events and partner with organizations that focus on increasing diversity and inclusion in our industry. In 2019, our participation included:

- **InvestmentNews Women Adviser Summits:** We sponsored the InvestmentNews Women Adviser Summits in San Francisco and New York City. These events featured some of LPL's female advisors, who spoke onstage about succession planning and creating a brand image to support professional success.
- **Association of African American Financial Advisors (Quad A) Vision Conference:** In 2019, we were a sponsor of this well-attended conference.
- **College of African American Financial Professionals (CAAFP):** We sponsored this conference, and several of LPL's advisors were featured on a panel discussing the benefits of holistic financial planning.
- **Harvey Milk Breakfast:** We sponsored a table at this renowned San Diego event.
- **McCrorey YMCA MLK Holiday Breakfast:** LPL sponsored a table at this prominent North Carolina event.

## Diversity Activism

In 2019, our president and CEO, Dan Arnold, wrote a letter to Representatives Carolyn Maloney and Greg Meeks endorsing the Diversity in Corporate Leadership Act of 2019, H.R. 3279. We're proud that our leadership celebrates diversity and supports important legislation that focuses on increasing diversity in corporate boards.

## Diversity and Inclusion Training

As part of our commitment to creating a diverse and inclusive workplace, we host trainings for our employees that focus on increasing awareness around diversity and inclusion, as well as unconscious bias and related topics.





### Diversity and Inclusion Recognition

In 2019, we were recognized as a Winning 'W' Company by 2020 Women on Boards (2020WOB). 2020WOB is a global education and advocacy campaign committed to building public awareness and momentum toward achieving a goal of at least 20% of all public company board seats to be held by women by the year 2020, the milestone 100th anniversary of the 19th Amendment, which granted women's right to vote. We are proud to have three women on our nine-member board of directors, and 2020WOB recognized LPL for our commitment to diversity. LPL Financial board members include Paulett Eberhart, Allison Mnookin, and Anne Mulcahy.

In 2019, we were also recognized by *InvestmentNews* for an industry award in Excellence in Diversity & Inclusion. This Excellence in Diversity & Inclusion Award identifies and celebrates individuals, advisory firms, industry partners, and institutions for their dedication to diversity and inclusion initiatives.

In addition, we were proud to receive the WealthManagement.com Industry Award for efforts in diversity and inclusion in 2019. This award recognized LPL's integrated technology platform and our commitment to diversity and inclusion as innovative efforts that are helping transform the wealth management industry.

### LPL's Advisor Inclusion Council

Advisor Inclusion Council focus on achieving three primary goals:

- Attract more advisors that reflect the changing marketplace
- Help advisors accelerate the growth of their business
- Create inclusive opportunities for advisors to connect, learn, and share best practices



Recognized as a Winning 'W' Company by 2020 Women on Boards (2020WOB)



Recognized by *InvestmentNews* for an industry award in Excellence in Diversity & Inclusion



Recipient of the WealthManagement.com Industry Award for Diversity & Inclusion efforts





### Financial Advisor Diversity

Today's investors are multi-generational, from various ethnic backgrounds, and include veterans, people with disabilities, single parents, members of the LGBTQ community, and more. To reflect this diverse marketplace, we are strengthening our focus on attracting, developing, and collaborating with an equally diverse range of advisors. As of 2019, 17% of our financial advisors were women, which is an industry-leading percentage.

To promote diversity among our advisors, we leverage an Advisor Inclusion Council, which is a diverse group of representatives from advisor firms and institutions that partners with our leaders to advance our vision of being the most diverse and inclusive places to do business in our industry. The Advisor Inclusion Council's objective is to attract more diverse professionals to reflect the changing marketplace, help advisors grow their business by tapping into new cultural markets, and create a more inclusive environment to support advisors and their business needs.

LPL's Advisor Inclusion Council meets three times a year with members of the LPL management team to identify and develop strategies that would further enhance LPL's diversity, inclusion, and engagement. As an example of the Advisor Inclusion

Council's efforts, at LPL's flagship event, the annual Focus Conference, our diversity presentation focused on inclusion as it relates to the multi-cultural and multi-generational investors LPL's advisors work with. The event also featured a Celebration of Inclusion Reception, Advisor Inclusion Lunch, and breakout sessions spanning topics such as engaging LGBT investors, engaging diverse investor segments, and bringing NextGen women financial professionals into the industry.

Moreover, in 2019, we launched Advisor Business Communities (ABCs), which offer our advisors the opportunity to connect over shared interests and backgrounds. Members of our ABCs engage with each other through in-person meetings and LinkedIn groups. We also provide ABC toolkits for advisors that host ABCs. As of 2019, our ABCs include:

- African American ABC
- Women's ABC
- Hispanic ABC
- LGBT ABC

Our ABCs and other diversity and inclusion initiatives are important in differentiating what we do as a company, supporting our network of advisors, and helping to make objective financial guidance available to everyone.

### Gathering Feedback

To ensure we're continuously improving our approach to diversity and inclusion and our engagement with our advisors more broadly, we included a gender criterion to our NPS scores to better understand key drivers for our female advisors. We also analyze gender when we track our internal growth and attrition rates to identify business dynamics for female advisors at LPL. We apply these insights to our strategic approach to our advisor programming.

In addition, we collect feedback regularly to identify opportunities to improve. Our Advisor Diversity and Inclusion team hosts regular Executive Listening Sessions with council members to hear first-hand feedback on ways we can serve the business needs of LPL advisors within underrepresented demographic groups.





# Our Sustainable Investing Practices

Investors are increasingly interested in understanding how and where their money is invested. They recognize that it is possible to build wealth responsibly without sacrificing investment principles. As a result, many of today's investors care about the way they invest.

To meet this growing interest, we afford our advisors the tools and insights that help their businesses and portfolios perform, no matter

what their clients' investment values or goals may be. We appreciate that our advisors and their clients face dynamic markets, and each advisor and client will have different priorities in his or her investing strategies.

In addition to providing our advisors with innovative solutions and exceptional service, we offer access to sustainable investing products and strategies to help investors support their beliefs and work toward their financial goals.

While "sustainable investing" may mean different things to different people, at LPL, we deliberately use the term sustainable investing to describe our practice of supplementing traditional financial analysis with ESG factor analysis in the investment decision-making process.

We believe it is our responsibility to incorporate an assessment of material environmental and social issues, as well as the quality of governance practices, into our investment research and analysis.

Lobby in our San Diego office.



Environmental, social and governance (ESG) funds and strategies are subject to the risk of underperforming the broader equity market or other funds/strategies that do not utilize ESG criteria.

There is no assurance that the Advisory platforms discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities will be required to affect some of the strategies. Investing involves risks including possible loss of principle.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Investing in mutual funds involves risk, including possible loss of principal.

An investment in Exchange Traded Product (ETPs), structured as a mutual fund, note, or unit investment trust should be considered as part of an overall program, not a complete investment program. An investment in ETPs involves risks such as: market, non-diversification, price, volatility, liquidity, competitive industry pressure, international political and economic developments, possible trading halts, index tracking error.



# Sustainable Investing as a Force for Change

As sustainable investing grows in popularity and assets under management, it is impacting the way investment decisions are made. Whether it's funding rural hospitals or adding more diversity to corporate boards, sustainable investing has become a force for positive change, impacting not only the investment industry, but also companies and communities across the globe.

We embrace sustainable investing as a vehicle for creating more value for our advisors and their clients. At LPL, we have a robust Research Department that focuses on providing daily investment guidance and market analysis for our advisors. Within the department, we have specialists who drive our sustainable investing approach, focusing on the identification of prudent sustainability practices, the implementation of sustainable investment strategies, and the development of a sustainable investment practice that leads to a broader orientation toward stakeholders (suppliers, customers, employees, and communities) as well as stockholders.

In addition, we continuously assess the effectiveness of our sustainable investing approaches through advisor awareness and engagement campaigns, regular reviews of our investment product availability, and market research for potential future investing strategy adoption.

# Sustainable Investing Products and Solutions

Sustainable investing takes a broader approach to evaluating risk and does so over a long-term horizon by evaluating a company's ESG risks, in addition to traditional financial risks. Historically, sustainable investing strategies often focus on excluding companies and industries from investment products on a basis of moral values (e.g., alcohol consumption and gambling). However, sustainable investing has also evolved to place greater emphasis on which companies to include, rather than exclude, from a portfolio, giving rise to a range of complementary approaches that can be used to implement sustainable investment strategies

The breadth of LPL's access to investment products ranges from available exchange-traded products and mutual funds to turnkey centrally managed portfolios. The available ETPs and mutual funds at LPL represent those that are broadly available to the investment industry, after filtering out certain products due to criteria such as less than a one-year track record or lack of assets.

## What We Do

LPL currently provides access to sustainable investing mutual funds, exchange-traded funds (ETFs), and model portfolios. As of December 31, 2019, LPL offered the following:



**220**  
Mutual funds



**17**  
Separately Managed Accounts



**82**  
ETFs



**1**  
Money Market Fund



**2**  
Managed Models

More than 8,400 LPL advisors have more than 120,000 clients who have invested over \$4.4 billion across these sustainable investing products as of December 31, 2019.



### Sustainable Investing Portfolios

Our Research team offers sustainable investment portfolios, which are available on our Model Wealth Portfolio Sustainable Investing platform. These seek to grow capital in excess of their respective benchmarks while advancing the United Nations Principles of Responsible Investing. We do this by utilizing managers that are both leaders in incorporating ESG issues into their investment analysis and decision-making, and active owners that incorporate ESG issues into their ownership policies and practices.

For these portfolios, we conduct thorough due diligence on sustainable investing strategies and search for those strategies that are active in shareholder engagement, implement community investing approaches, and incorporate positive/negative screening, ESG integration, and thematic approaches. LPL Research then chooses strategies from our Recommended List to include in the LPL centrally managed portfolio, the Model Wealth Portfolio Sustainable Investing Models. The end result is a diversified set of investment strategies for investors seeking sustainable investing options.

These portfolios pursue the potential economic benefits resulting from future transformational change by seeking exposure to socially and economically innovative companies. The model has a set investment objective, which ranges by risk from aggressive growth to income with capital preservation.

Rather than solely excluding certain securities from an account, our sustainable models focus on changing behavior, and do so by

incorporating active managers who have the leverage to implement shareholder advocacy, reach underserved communities, and target assets to address specific issues. As we continue to broaden the scope of these models, we are identifying opportunities for advisors to attract new clients, deepen client relationships, and take advantage of potential market opportunities in a low-growth environment.

### Integrating ESG into Our Investment Practices

In addition, while we are not currently signatories on the United Nations Principles of Responsible Investing (PRI), we strive to align with the principles of the PRI, focusing on integration of ESG issues into existing investment practices using a combination of three approaches: integration, screening, and thematic. In 2019, over 253 of the mutual funds and ETPs available at LPL integrated ESG factors. These are identified by using industry sources as sustainable strategies as opposed to any LPL proprietary process.

### Sustainable Investing Moving Forward

Our Research team is continuing to expand its research, tools, and resources to achieve more with the products and platforms we have developed. To aid this effort, we developed a Sustainable Investing Study Group for advisors that is a forum geared toward the exchange of information and best practices. We use feedback from this forum to enhance our sustainable investing strategies moving forward. In addition, we have a dedicated sustainable investing page on our advisor website, the Resource Center, which continually evolves.

### Spotlight on Model Wealth Portfolio Sustainable ESG

LPL Research’s Model Wealth Portfolio Sustainable Investing Models make up our turnkey ESG portfolio. This investment model is composed of strategies selected for compelling traditional investment rationales coupled with ESG incorporation, active ownership, and community investing profiles. The end result is a portfolio that is not only diversified in a traditional investment sense—between stocks and bonds—but also diversified across ESG incorporation strategies (screening, implementation, and thematic), active ownership, and community investing approaches.



Rainwater cistern on our Fort Mill campus.



## Service Affordability

Our advisors welcome the opportunity to support individual investors wherever they may be in their financial journey at a fair and reasonable cost. Our advisors are afforded the discretion to take on any account size that fits their business model. Examples of service affordability programs include Guided Wealth Portfolios and Small Market Solution.

### Guided Wealth Portfolios

LPL's Guided Wealth Portfolios is an advisor-intermediated, online, cost-effective investing opportunity. It requires only a \$5,000 account minimum, which allows people at a

younger age or lower income range to get started on their financial journey. Despite the low minimum investment, these investors have full access to an LPL advisor. In addition, these clients have access to cost-efficient exchange-traded fund models managed by LPL Research and are automatically invested and rebalanced according to their specific goals.

### Small Market Solution

Our Small Market Solution provides an affordable way for businesses of all sizes to offer retirement plan services and help employees to save for and invest toward a secure future. If the

plan client is subject to the Employee Retirement Income Security Act (ERISA), we serve as the ERISA Section 3(38) investment manager and assume discretion for determining the plan's investment menus, helping to support investment fiduciary responsibility and legal liability under ERISA for the plan sponsor and for ongoing plan consultation assistance.

In addition, LPL's advisors are available to host employee meetings to help plan participants understand their retirement plan investment options, which appeals to smaller businesses that may otherwise believe they could not offer this level of support to their employees.

## Financial Literacy

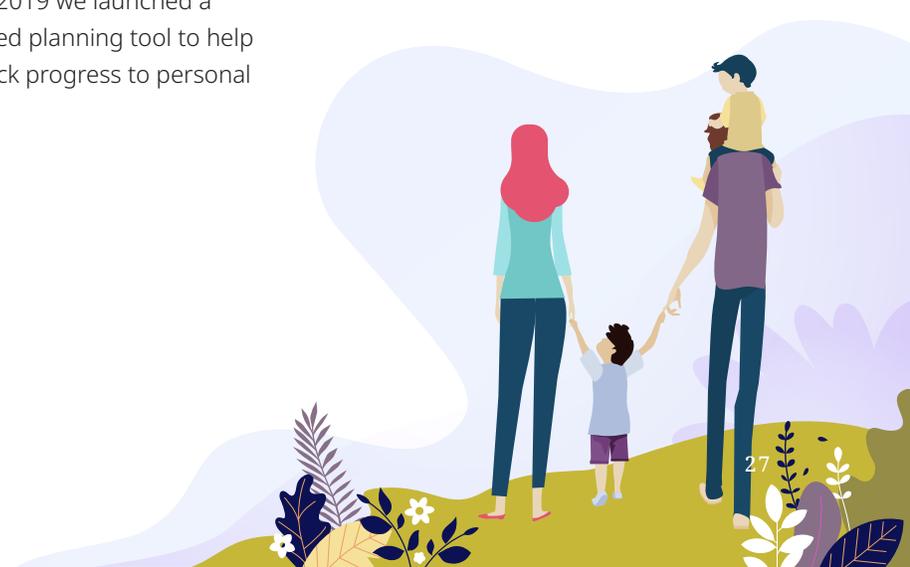
We believe in the simple principle that solid financial understanding leads to enhanced well-being and an improved overall quality of life. We support programs that help individuals manage their personal financial resources, including those designed to enhance familiarity and comfort with fundamental skills, such as setting financial goals, budgeting, and managing funds. For more information on our community involvement with partner organizations focused on financial literacy, see page [36](#) of this report.

We also offer access to financial tools that aid in prudent financial decisions, including financial calculators:

- Savings Calculator
- Retirement Calculator
- Fund Analyzer
- College Savings Calculator

In addition, we provide a variety of resources to support financial planning, located in our LPL advisor portal. In 2019 we launched a goals-based planning tool to help clients track progress to personal

goals rather than an index, transforming financial transactions into significant life events and giving clients a long-term perspective. The portal also includes insightful articles and educational videos. We believe knowledge is power, and we want to help everyone become powerful in terms of financial literacy and acumen.



# Operating with Integrity

Conducting ourselves in a lawful, professional, and ethical manner is integral to the way we do business. It is how we achieve our ESG vision—taking care of our advisors and their clients by operating responsibly and ethically and strengthening trust with our mutual stakeholders—and why thousands of financial professionals and hundreds of institutions choose to work with us.

We have invested in policies, tools, and training programs that guide ethical decision-making for our advisors and employees. Moreover, our cybersecurity, data privacy, compliance, and responsible sourcing policies and practices support our ability to help and protect our advisors and their clients in the changing regulatory landscape.

Together, these policies, tools, and resources cultivate and reinforce a culture focused on helping our advisors deliver products and services with the highest standards of integrity.

## Business Ethics

Given the advisory and support role we play for our advisors, conducting our business ethically is not just an expectation, it is a requirement. Our [Code of Conduct](#) guides our employees' decision-making when there is no prescriptive rule for the situation at hand. The Code of Conduct enshrines our ethical business practices, defining the behavior we expect from all our employees and advisors, every day.

In addition to promoting ethical and honest conduct, the Code of Conduct also prohibits employees from engaging in or seeking to achieve unfair competitive actions or misusing a client's confidential

information, and mandates disclosure of conflicts of interest. The Code of Conduct is not intended to address every situation that can arise in our business, so we encourage our employees to exercise common sense and appropriate care when faced with compliance-related issues and, when needed, seek guidance from managers and our compliance, legal, and risk departments.

We also consider it paramount for our advisors to conduct their business in an ethical manner that complies with relevant laws and regulations. As part of their relationship with us, our advisors are required to sign a [Code of Ethics](#) that mandates disclosure



We have invested in policies, tools, and training programs that guide ethical decision-making for our advisors and employees.

of conflicts of interest, as well as compliance with securities laws, the protection of confidential client information, and other compliance requirements. Our advisors are also subject to the principles set forth in our Code of Conduct.

Understanding and upholding the principles outlined in our Code of Conduct and Code of Ethics is important for our continued success and key to maintaining the trust and respect of our employees, advisors, investors, shareholders, and communities.



# Policies, Controls, and Compliance

Thanks to our Code of Conduct, the principles of ethical conduct and professional integrity are ingrained in our culture and operations. Compliance with both the letter and spirit of the Code of Conduct, in addition to applicable laws and regulations and LPL's policies and procedures, is not only expected, but required of all employees and advisors, regardless of position.

## Policies in the Code of Conduct

- LPL Code of Ethics
- Anti-Bribery / Anti-Corruption Policy
- Pay-to-Play / Political Contribution Policy
- Anti-Money Laundering / Counter Terrorist Financing Policy
- Outside Business Activity Policy
- Insider Trading Policy
- Outside Investment Account Policy
- LPL Amended and Restated Disclosure Policy
- Privacy Notice and Branch Office Security Policy
- Trade Secrets and Confidential Company Information Policy
- Record Retention Policy

Any reports describing conduct that is inconsistent with LPL policy are investigated promptly. If an investigation reveals a violation of LPL's policy or external policy or rule, or that other inappropriate conduct has occurred, then we will take corrective action, including discipline up to and including dismissal, reassignment, changes in reporting relationships, training, or other measures we deem appropriate under the circumstances, regardless of the job positions of the parties involved.

## Compliance, Legal & Risk, and Enterprise Risk Management

To reduce our exposure to risk, our Compliance, Legal & Risk department, along with our Finance department routinely review our counter-party risk and third parties with whom we do business. This process includes extensive research, due diligence, financial analysis, and forward-looking measures of financial strength and sustainability.

In addition, our Enterprise Risk Management department periodically undergoes risk and control self-assessments in partnership with Internal Audit and business units across LPL. Moreover, the department works closely with the business units to gather risk and

performance metrics that inform the quarterly Enterprise Risk Profile report reviewed by senior/ executive management, the Risk Oversight Committee, and the board of directors.

To build on our risk management and compliance processes, in 2019 we developed a formal control review assessment. We conduct this assessment if we identify a risk incident that may have resulted from a control design issue or execution gap. This process helps us perform root-cause analysis, and from there adapt procedures, polices, documentation, or training as deemed necessary.

## LPL's Code of Conduct

Our Code of Conduct promotes:

- Honest and ethical conduct
- Full, fair, accurate, timely, and understandable disclosure
- Compliance with laws, rules, and regulations
- Prompt internal reporting of violations to an appropriate person or persons
- Accountability for adherence to the Code



## Our Whistleblower Program

Our ethical culture depends on the active participation of our employees and advisors—especially when it comes to reporting any unethical behavior activities. If any employee or advisor believes that an action may be in violation of the Code of Conduct, he or she is expected to report the matter immediately to LPL through our Whistleblower and Integrity Hotline. Our Special Investigations Unit, which is part of our Legal team, investigates whistleblower activity. We provide guidance on reporting concerns via the Whistleblower and Integrity Hotline in our [Code of Conduct](#).



### Anti-Corruption Practices and Compliance Training

To proactively manage relevant laws and regulations, our compliance team monitors regulatory requirements and works closely with our advisors to help them maintain compliance in their business practices.

In addition, a majority of our advisors' transactions are custodied and cleared by LPL, which provides them with enhanced and expedited processing capabilities while adhering to stringent internal controls over compliance. These processes are also supported by our responsive service center, which ensures timely, accurate, and consistent support for our advisors. We also regularly invest in technology and infrastructure that strengthen our compliance and risk management, including transaction monitoring and customer due diligence.

We review our controls annually through both internal audits and external processes, which include aspects of fraud review, and a report on our highest risks and any material findings to the Audit Committee within our board of directors. To the extent our analyses or reviews identify any instances of noncompliance, we address and respond to those

instances as quickly as possible and disclose them, as directed by policies or deemed appropriate. These reviews also help us anticipate emerging compliance trends and potential external risks.

To continuously ensure and improve upon our compliance, we require all our employees to participate in anti-bribery, anti-corruption, and anti-money laundering, fraud, and financial crimes training. In 2019, all our employees and advisors/registered persons participated in Anti-Money Laundering and Fraud training. We also administer mandatory Code of Conduct and Code of Ethics training for our employees and advisors. Furthermore, all our advisors must participate in annual training programs centered on:

- Security and Privacy
- Working with Senior Investors and Vulnerable Adults
- Don't Wait Escalate, which includes our Whistleblower and Integrity Policy

For more information on our compliance training for our employees and advisors, please visit pages [17](#) and [19](#), respectively.

### LPL's Enterprise Risk Management Function

Our Enterprise Risk Management (ERM) department oversees, manages, and administers LPL's ERM program, which includes, but is not limited to, the following functions/processes:

- Governance of Enterprise Risk & ERM Policy
- Issues Management via LPL's Findings & Issues Tracker
- Internal and External Loss Event Management
- Risk & Controls Change Management
- Risk Metrics and Reporting
- Risk Analysis and Reporting
- Enterprise Risk Management Training



## Cybersecurity and Data Privacy

We understand that the protection and privacy of advisor and client information are critical to a strong reputation and continued business success. To protect the confidentiality of financial information entrusted to us, we employ extensive physical, technical, and procedural security controls at all our facilities. We actively monitor and enforce compliance with our security policies and procedures, and we regularly review and update

our physical and technical controls, as well as our policies and procedures, to respond to new threats and to adapt to changing technology.

Our Cybersecurity organization, which is composed of more than 100 experienced professionals, has an annual budget exceeding \$40 million. The cybersecurity team operates under one goal: ensuring the right controls are in place to keep our, and our advisors', systems

and information safe and secure. Our cybersecurity initiatives are also backed by LPL's Security and Network Operations Center, which runs 24/7 and hosts state-of-the-art technologies designed to prevent unauthorized access to our networks, systems, and data. Thanks to our dedicated cybersecurity teams, we did not experience any data security breaches in 2019 resulting from a compromise of LPL systems.



### Helping Our Advisors Prepare and Respond to Cybersecurity Threats

To help our advisors prepare for and respond to cybersecurity threats, we offer them the option to sign up for LPL's cybersecurity insurance, which covers up to \$250,000 in loss. We also offer on-site consultations to assess the office security, and provide advisors, staff, and client cyber training at no charge. In addition, we offer our advisors an Information Security Resource Center webpage, where we provide tips and tricks, monthly alerts, and templates that assist in keeping offices and computers safe and secure.



# Client and Advisor Protection

We are constantly working behind the scenes on our advisors' behalf to protect their—and their clients'—data. Information security is built into everything we do, and our processes reflect our commitment to protecting investor information.



## Processes

- Comprehensive security monitoring of our infrastructure
- Continuous security updates to all systems
- Industry-leading encryption to ensure secure connections
- Two-factor authentication for identity protection
- Automatic security scanning of programming changes
- Regular disaster recovery exercises
- Secured backup copies of data
- Engagement with law enforcement and security consortiums
- Preplanned and practiced response procedures

## Technologies

- Firewalls and routers are configured to protect data from unauthorized access
- Monitoring, detection, and prevention of network intruders
- Data center facility and management provided by recognized leader in infrastructure hosting
- Continuous network scanning to identify security vulnerabilities
- Distributed “denial-of-service” attack protection services to block cyber attacks

## Awareness and Training Programs

- Security and privacy
- Physical and administrative safeguards
- Mobile work/travel tips
- Laptop encryption
- Email encryption
- Securing mobile devices
- Responsible data transmission
- Phishing
- Ransomware
- Business email compromise—client impersonation
- Technology support scams
- Reporting incidents





## Legal and Regulatory Compliance

We support the development of legislation, regulations, and compliance procedures that safeguard our clients, our advisors, and our business. As a result, we monitor legislation and regulations that impact our advisors and our business and have established a Government Relations team to respond to these issues.

As part of these efforts, in 2019, our Government Relations team engaged policy makers with the following issues, which reflected our values and priorities as a firm:

- Advocating for a uniform, national privacy standard that upholds individual consumer

rights and adequately fosters economic competitiveness

- Supporting the Secure Act, which expands opportunities for small business owners to offer retirement benefits for their employees
- Promoting support for the Improving Corporate Governance Through Diversity Act, a bill that fosters diversity on corporate boards through disclosure and transparency

In 2019, the Government Relations team also supported discussions regarding the recently finalized SEC Regulation Best Interest (Reg BI) promulgated by the Securities and Exchange Commission (SEC), which is

intended to enhance the standard of care for broker-dealers and requires firms to act in a client's best interest.

Building on this initiative, we will continue to urge the states to align their proposals with Reg BI so consumers and the industry have clarity.

LPL has long supported regulations requiring that investment advice and recommendations are in the investor's best interest. We view Reg BI as a valuable, positive enhancement to existing rules, creating a well-articulated federal standard that preserves investor choice and access to a wide range of investment and financial services.

### Spotlight on Government Relations Activities in 2019

#### Secure Act

We promoted the Secure Act, a bill replete with bipartisan measures that strengthens retirement security for Americans and enhances their savings and income prospects during their retirement years. Moreover, the Secure Act expands opportunities for more small businesses to offer their employees retirement benefits. LPL financial advisors work on the front lines serving small businesses. Therefore, we can attest to the importance of measures that enable small businesses to offer and maintain retirement plans to their employees. The Secure Act finally became law on December 20, 2019.

#### Increasing Diversity and Inclusion

We support diversity and inclusion not only within our firm, but also within the financial services industry. Our Government Relations team advocated for policies that support greater diversity on corporate boards. As strategic partners of the Congressional Black Caucus Institute (CBCI)

and the Congressional Hispanic Caucus Institute (CHCI) we help to provide leadership development programs and educational services to communities of color around the country. Additionally, our Government Relations team makes a concerted effort to engage with Members of Congress within the Congressional Black, Asian Pacific American, and Hispanic Caucuses to enhance our understanding of issues affecting diverse communities.

#### Section 199-A Tax Code

We continue to advocate for clarifying legislation to enable independent financial advisers to be able to fully benefit from the 20% pass-through deduction afforded under Internal Revenue Code Section 199A. As it stands, there is a threshold on taxable income in order to qualify for these tax benefits. LPL independent financial advisors are small business owners; excluding them from the full benefits of the pass-through deduction diminishes their ability to invest in and build their businesses.



## Responsible Sourcing

Our commitment to ethical and responsible business practices extends beyond our engagements with our advisors and employees. This commitment also applies to our relationships with the providers of products and services that we use in our business, so we strive to implement ethical sourcing practices and deliver sustainable products and services for our business.

Our supply chain model is mostly indirect: We do not purchase products or materials for manufacturing, but instead procure products and services that support our business. We currently have approximately 1,800 vendors that predominantly provide services. For instances where we do purchase products, these are often in the form of hardware, software, office supplies, etc.

During our vendor selection processes, we screen and assess our suppliers to ensure that their practices are consistent with our values and expectations, that they adhere to a minimum set of controls appropriate to the delivery of the contracted product or service, and that their costs and impacts are not disproportionately large considering the products or service they provide.

Given the importance of diversity and inclusion across our entire business, we also consider the diversity of the suppliers we work with and seek out diverse-owned companies that can meet our business needs. We achieve this at the contract-step in our procurement process, with our procurement intake form flagging diverse suppliers for new contracts. In 2019, we screened an estimated

10–15% of our vendors to identify opportunities to increase our engagement with diverse suppliers. Moving forward, we'll continue to expand our supplier diversity program and initiatives.

In addition, we rolled out a center-led Vendor Management Program in 2019, which is designed to ensure that any contractual and performance risks are effectively mitigated. Lastly, we're driving operational excellence in our responsible sourcing practices through management of the requisition and contract processes, travel program, contingent worker program, and third-party access controls.





# Supporting the Communities Where We Operate



We recognize that our business touches communities across the country, thanks in part to the thousands of advisors and millions of clients who choose to work with us. At the same time, the communities where we live and work also enable our business by supporting the lives and livelihoods of our employees, advisors, and investors each and every day. As a result, we consider it our duty to do our part in promoting and nurturing the well-being of our communities,

and we leverage tools, such as our corporate charitable programs, the LPL Financial Foundation, and employee volunteering hours to support our efforts.

While we provide support to a variety of community organizations and groups, in 2019 we focused our efforts where we can drive the biggest impacts: increasing career pathways for under-represented teens and young adults, financial literacy, and education.

We encourage our employees and advisors to **volunteer their time and talents with organizations** that strengthen our communities.

May Serve Days, Carolinas



Community Partner Showcase, Dress for Success



Explore Your Future, Carolinas





# Corporate Giving Through the LPL Financial Foundation

We strive to create more prosperous communities through corporate giving initiatives focused on helping underserved individuals experience greater career opportunities and become more economically empowered. The LPL Foundation, our charitable arm, helps us achieve this by providing grants to non-profit organizations in Boston, the Carolinas, and San Diego. In 2019, the LPL Foundation provided over \$1.5 million to organizations providing support to underserved families and young people across the country.

The LPL Foundation's grant review process is robust to ensure that our foundation's resources are directed toward impactful organizations:

- **March:** Foundation opens to grant applications
- **May:** Consideration by the Grant Review Committee
  - Criteria for consideration include ability to provide volunteer opportunities to advisors and employees
  - Ability to create outcomes supporting career pathways for underserved young people
- **June:** Grant Review Committee recommendations presentation and vote by the Foundation Board

This process has allowed us to develop lasting partnerships with organizations proven to drive outcomes around workforce readiness, financial literacy, and education. Our foundation also empowers our employees by amplifying their ability to give back via our matching gifts program. Through this program, we offer a matching gift of up to \$500 annually for all LPL employees and registered advisors. In 2019, this program resulted in half a million dollars in matching donations from the LPL Foundation on top of our regular charitable work.

## Volunteerism at LPL

In addition to the charitable giving efforts of our LPL Foundation, we encourage our employees and advisors to volunteer their time and talents with organizations that strengthen our communities. To support this effort, we offer our employees 16 paid hours per year to volunteer with an organization of their choice through our Volunteer Time Off program.

At our annual Explore Your Future events, LPL employees shared their career journeys with students from the Preuss School in San Diego, California, and South Mecklenburg High School in Charlotte, North Carolina. Students also participated in mock interviews and were coached on writing a resume.

## 2019 LPL Partner Organizations



BOYS & GIRLS CLUB





## Volunteering Opportunities for Our Employees

In 2019, 25% of our employees took advantage of our Volunteer Time Off initiative, up 3% compared to 2018. In total, our employees volunteered over 12,142 hours of community support across the country, equivalent to \$308,771. Highlights of some of the partner organizations we volunteered with in 2019 are:

- **Volunteer Resource Group:** Members of our Volunteer Employee Resource Group (ERG) organized volunteer events focused on achieving financial literacy, workforce readiness, and education. Activities and events hosted by the Volunteer ERG included teaching financial literacy, collecting and distributing school supplies, and hosting career exploration seminars.
- **May Serve Days:** Each year during the month of May, our “May Serve Days” helps us achieve a larger impact through a variety of volunteer activities scheduled across a one-month period. Activities include financial education seminars, clothing drives, community clean-up events, and a mentoring program. During our May Serve Days event in 2019, our employees contributed 1,654 hours of volunteering through VTO alone, which equates to a 63% higher volunteer participation rate during the month of May, when compared to average volunteer participation per month the rest of the year.
- **LPL Employee Volunteer Center:** Our Employee Volunteer Center provides resources that connect our employees with volunteer opportunities in their communities, as well as tools for creating and sharing volunteer

activities with organizations that are meaningful to them.

- **30 Minutes to Make a Difference:** In alignment with the May Serve Days, we developed this program to encourage our employees to find time to volunteer in their communities.
- **30 Days of Giving:** As the 2019 holidays approached, we encouraged our employees to donate toys to their local Boys and Girls Club.
- **Community partner board involvement:** We are proud of the examples of community leadership our employees demonstrate through their service as board members of our partner organizations. This includes:
  - [Melissa Master-Holder and Mike Wilson](#), Junior Achievement San Diego
  - [Kate Ring](#), Big Brothers Big Sisters Central Carolinas
  - [Cece Mavico](#), Junior Achievement Central Carolinas
  - [Andy Kalbaugh](#), Communities In Schools, Carolinas

In addition, every year at LPL’s national Focus Conference for advisors, we partner with local nonprofit organizations to host a volunteer event for our financial advisors, employees, LPL Financial Foundation board members, and guests. At the 2019 event, 200 of LPL’s advisors and guests created 400 back-to-school kits to deliver to local students involved in Junior Achievement, San Diego, California.



May Serve Days, Boston



Explore Your Future, San Diego



Mock interviews, Johnson C. Smith University



LPL interns making a difference, Carolinas



# Environmental Sustainability and Stewardship

We understand that our business and advisors impact the environment in a myriad of ways, including through the energy we use, water we consume, and waste we generate. As a financial services company, we have relatively narrow environmental impacts; however, we recognize our responsibility to manage our operations in a manner that considers our direct and indirect impacts on the planet.

At the same time, we also believe that robust environmental management is good business, as it reduces our risk exposure and supports cutting operating costs. We manage our environmental impact through a range of initiatives that address a spectrum of potential risks and impacts ranging from our resilience to climate change to our operational performance in our offices and buildings.

## Going Paperless

Historically, our industry has required the use of paper for documenting work, filing hard copy statements and reports, and mailing information. However, helping our advisors and investors go paperless is one of our top priorities. To reduce the paper we use in our business activities, we implemented measures that help reduce our paper consumption.

In 2019, we implemented several initiatives aimed at reducing paper use, including:

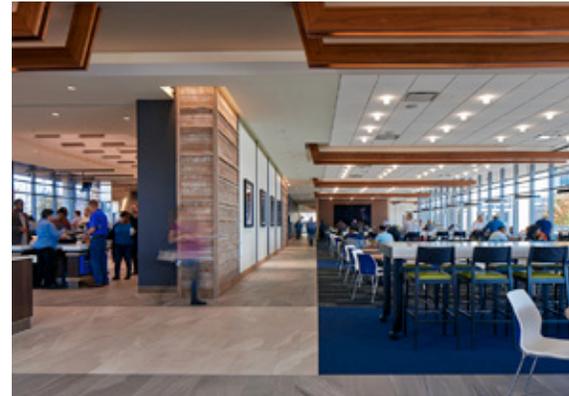
- eDelivery added to the account opening process, within the portal for existing clients, and for all available paper streams
- One-click process for financial professionals and investors to elect to go paperless

- Shareholder Communication Form consolidation with electronic prospectus form
- Educational materials for financial professionals supporting electronic marketing
- Partial election ability for advisors and investors that prefer hard copies for only specific communications (e.g., prospectuses, shareholder communications)

In addition to reducing the global impacts resulting from deforestation associated with paper consumption, our paper initiatives resulted in positive outcomes for our firm. In 2019, we saved an estimated \$2.7 million through our reduction in paper purchases and paper

## Environmental Sustainability at LPL

From the breakroom to the boardroom, LPL engages in numerous initiatives and daily practices to use natural resources responsibly and reduce our environmental footprint. We do so because it's good for our stakeholders, our business, and our planet.



Cafeteria, Fort Mill office.

recycling, further demonstrating that responsible business is good business. We expect to see improvements in the adoption of paperless practices as these initiatives continue to be accessible to our advisors and will report year-over-year progress in coming reports.

We're continuing our efforts to go paperless in our corporate payroll department for all workflows, audits, and record keeping. By 2020, we will be 100% paperless, reducing approximately 260 hours of employee resources.

In addition, over 90% of our paper is purchased from Forest Stewardship Council (FSC)-certified supplier mills. All inks used by LPL, whether litho or digital, are soy-based and eco-friendly.



# Our Footprint

While smaller in the grand scheme of things, our greatest environmental impacts are associated with our business travel and the climate, water, and waste impacts of our offices in Fort Mill, San Diego, and Boston. Our Corporate Real Estate team leads the charge with managing these impacts to ensure we're improving our environmental performance over time.

## Reducing Our Carbon Emissions

We understand the importance of doing our part in reducing greenhouse gas (GHG) emissions that contribute to climate change. As a result, in 2019 we calculated our GHG emissions associated with the activities that represent our greatest impact: carbon dioxide emissions from our office buildings and business travel. Using the methodology outlined in the World Resource Institute's GHG protocol, we assessed the Scope 1 and 2 emissions generated by our three main offices in Fort Mill, San Diego, and Boston. Through this process, we measured the carbon emissions associated with the fuels we utilize for heating and cooling our buildings and backup generators (Scope 1 emissions) and the electricity we purchase to power our buildings (Scope 2). We also assessed our Scope 3 emissions to take into account our impact beyond the walls of our office buildings. For this category of emissions, we measured our corporate business travel mileage.

In service-oriented industries, Scope 2 emissions associated with electricity usage are often the largest source of emissions. However, at LPL, we have taken significant steps to reduce use of carbon-intensive grid electricity, as evidenced by our Scope 2 emissions, which represent less than a quarter of our total emissions. This is due, in part, to the efficiency of our buildings. All three of our main office buildings have received U.S. Green Building Council (USGBC) LEED certifications, reflecting their high standards for energy and water efficiency. Currently, our Fort Mill office is USGBC LEED Gold-certified, and our San Diego and Boston offices are USGBC LEED Platinum-certified.

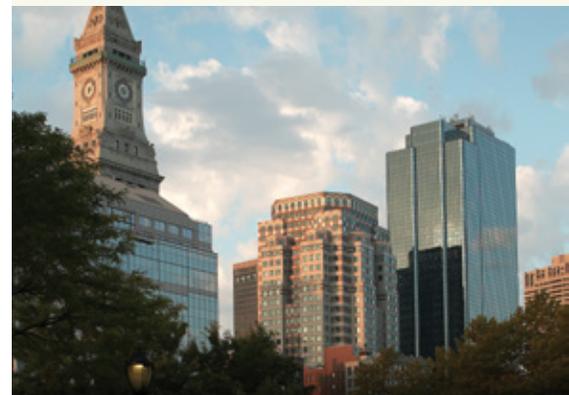
Furthermore, in 2014, LPL installed three fuel cells in our San Diego office to support the electricity needs of the facility using renewable energy. In 2019, these cells generated 7.1 million kWhs of electricity, nearly double what they generated in 2018. We're proud to report that this renewable energy makes up 75% of the San Diego operation's total electricity use.



San Diego, CA office



Fort Mill, SC office



Boston, MA office





# LPL's Energy and Carbon Emissions

Our environmental impacts principally derive from two main sources: the carbon dioxide emissions resulting from energy usage in our offices and employee travel. We've summarized our 2019 performance related to carbon emissions below:

## Energy\*

	2018	2019	% Change
<b>ELECTRICITY UTILIZED</b>			
Fort Mill	7,359,988 kWh	7,439,450 kWh	+1%
San Diego	1,668,000 kWh	2,266,277 kWh	+35%
Boston	222,268 kWh	221,419 kWh	-1%
<b>Total Electricity</b>	<b>13,391,108 kWh</b>	<b>17,002,037 kWh</b>	<b>+26%</b>
<b>Total Natural Gas Used<sup>1</sup></b>	<b>1,173,677 Therms</b>	<b>1,280,129 Therms</b>	<b>+9%</b>
<b>RENEWABLE ENERGY GENERATED</b>			
San Diego	4,140,852 kWh	7,074,891 kWh	+70%

## 2019 Greenhouse Gas Emissions\*

<b>SCOPE 1 EMISSIONS</b>			
Fort Mill		5,411 tCO <sub>2</sub> e <sup>2</sup>	
San Diego		1,397 tCO <sub>2</sub> e <sup>3</sup>	
Boston			
<b>Total Scope 1<sup>4</sup></b>		<b>6,808 tCO<sub>2</sub>e<sup>2</sup></b>	<b>0%</b>
<b>SCOPE 2 EMISSIONS</b>			
Fort Mill		2,522 tCO <sub>2</sub> e	
San Diego		512 tCO <sub>2</sub> e	
Boston		53 tCO <sub>2</sub> e	
<b>Total Scope 2<sup>5</sup></b>		<b>3,087 tCO<sub>2</sub>e</b>	
<b>Total Scope 1 + 2</b>		<b>9,895 tCO<sub>2</sub>e</b>	
<b>Total Scope 3 Emissions from Business Travel</b>		<b>3,519 tCO<sub>2</sub>e</b>	

\* We are in the process of improving our data collection processes to capture a more complete picture of our impacts moving forward.

- 1 Total natural gas does not include Boston office (LPL occupies a portion of space within the building).
- 2 Fort Mill's Scope 1 emissions were calculated using natural gas and one month of fuel oil.
- 3 San Diego's Scope 1 emissions were calculated using natural gas data.
- 4 Scope 1 emission streams include consumption of natural gas, fuel oil, and district cooling.
- 5 Scope 2 emissions calculated using WRI GHG Protocol's location-based method.





## Water and Waste

We also monitor our office water use and waste generation as part of our overall management of our environmental impacts. In 2019, we withdrew 5.1 million gallons of water, which is more than a 20% reduction in our water withdrawn compared to 2018.

In 2019, we also placed special focus on our waste generation. As an example, we removed all disposable plastic water bottles from our offices vending machines, cafeterias, and breakrooms to greatly reduce our plastic consumption. We complemented this initiative with an awareness campaign that communicated the

importance of using reusable water bottles, and encourage use of our refilling stations. Furthermore, we transitioned to compostable containers in our Fort Mill cafeteria, reducing the tonnage of one of LPL's largest landfill waste streams. We also continued our recycling and composting programs at our Fort Mill campus. Thanks to our efforts, we experienced a 25% reduction in our waste production in 2019 compared to the previous year. At the same time, these initiatives increased our total amount of repurposed waste (i.e. recycled, reused, or composted) by more than 20 tons.

## Managing Water and Waste

The following table summarizes our water and waste performance in 2019.

	2018	2019	% Change
<b>WATER</b>			
Total Water Withdrawn*	6,532,289 gallons	5,122,224 gallons	-22%
Total Water Consumed*	1,197,583 gallons	1,194,776 gallons	-1%
<b>WASTE</b>			
Total Waste Generated*	208 tons	159 tons	-24%
Total Repurposed Waste*	75 tons	97 tons	+29%
Composted Waste	51 tons	76.2 tons	+49%
Total Recycled Batteries	1,152 lbs	1,435 lbs	+25%
Total Shredded Paper	329 tons	200 tons	-40%
Total Waste Avoided from Water Bottles at Fort Mill Office	371,550 bottles	277,464 bottles	-25%

\* Only includes Fort Mill and San Diego

## Waste Initiatives

We integrate environmentally friendly practices throughout our facilities and operations. For example:

- We conveniently locate recycling and composting stations throughout LPL's LEED-certified Fort Mill, SC, facilities. They feature bold graphics to help distinguish between what gets recycled, composted, or tossed. Dual-bin, desk-side trash cans also make it convenient for our Fort Mill employees to start the compost and recycle chain right at their desks with one bin for compostable materials and another for recyclables and landfill waste.
- LPL's LEED-certified San Diego facility employs single-stream waste management. Our San Diego employees can commingle all paper, plastics, glass, cans, and other recyclable waste in single desk-side recycling containers. Or, they can use properly identified waste containers in the kitchenettes, copy centers, and common areas.
- LPL's Fort Mill location provides boxes for used coffee pods in its breakroom. Once the boxes are filled, the pods are sent out to be melted and pelletized into new raw material.
- LPL's on-site cafeteria in Fort Mill uses eco-friendly meal containers and recycling and composting stations.
- All LPL facilities include on-site battery, eye glass, and printer cartridge recycling.



## Climate Resiliency

Part of operating responsibly and sustainably means considering potential environmental impacts on your business, including possible extreme weather events and natural disasters. With this in mind, we conducted assessments to determine material environmental and social issues and risks, which led us to identify climate resiliency as a material priority. Our assessment led us to implement the following initiatives for identifying and mitigating the different impacts climate change may have on our business:

- Physical risk:** As natural disasters and severe weather become more frequent, we have identified the physical risks posed by climate change for our facilities, operations, and, most importantly, the health and safety of our employees and advisors. We have taken steps to address this risk through investments in more resilient infrastructure, enhancements in our remote working capacities, and improved communication tools. One such example is LPL Alert, a software solution that allows us to convey critical information to our people real-time via phone, email, and text message. Furthermore, LPL Alert precisely identifies which of our employees, advisors, and institutions are vulnerable by cross-referencing up-to-date impact zones with the locations of our employees, allowing us to provide the fastest, highest impact assistance and resources.
- Transition Risks:** We also recognize the business risk associated with high environmental impacts that may result from regulatory or social changes, such as a carbon tax. We address this risk through our environmental initiatives, such as our investments in renewable energy and our building infrastructure initiatives.

## Employee Participation in Environmental Initiatives

We encourage our employees to participate in environmental sustainability initiatives through our Sustainability Employee Action Committee. The committee organizes events and activities centered on sustainability topics, fosters employee education around environmental issues, and conducts environmental impact reduction outreach, well-being activities, and gardening programs at our Community Gardens on our Fort Mill campus.

In addition, our Sustainability Employee Action Committee hosts annual Earth Day celebration events across our offices in Boston, Fort Mill, and San Diego.

## Employee Engagement with Environmental Sustainability

Our employees strive to create a working culture that is connected to the natural environment. For example, our employees cultivated honeybees at our Fort Mill campus in 2019 that led to the generation of three gallons of honey between April and July. The honey was then raffled off to employees in 43 mini jars to celebrate the auspicious outcome of the honeybee initiative. Furthermore, our employees nurture campus gardens, growing vegetables, herbs, and flowers. Initiatives such as these demonstrate our commitment to doing business in harmony with the environment and allow our employees opportunities to play a role.





# LPL's Response to COVID-19

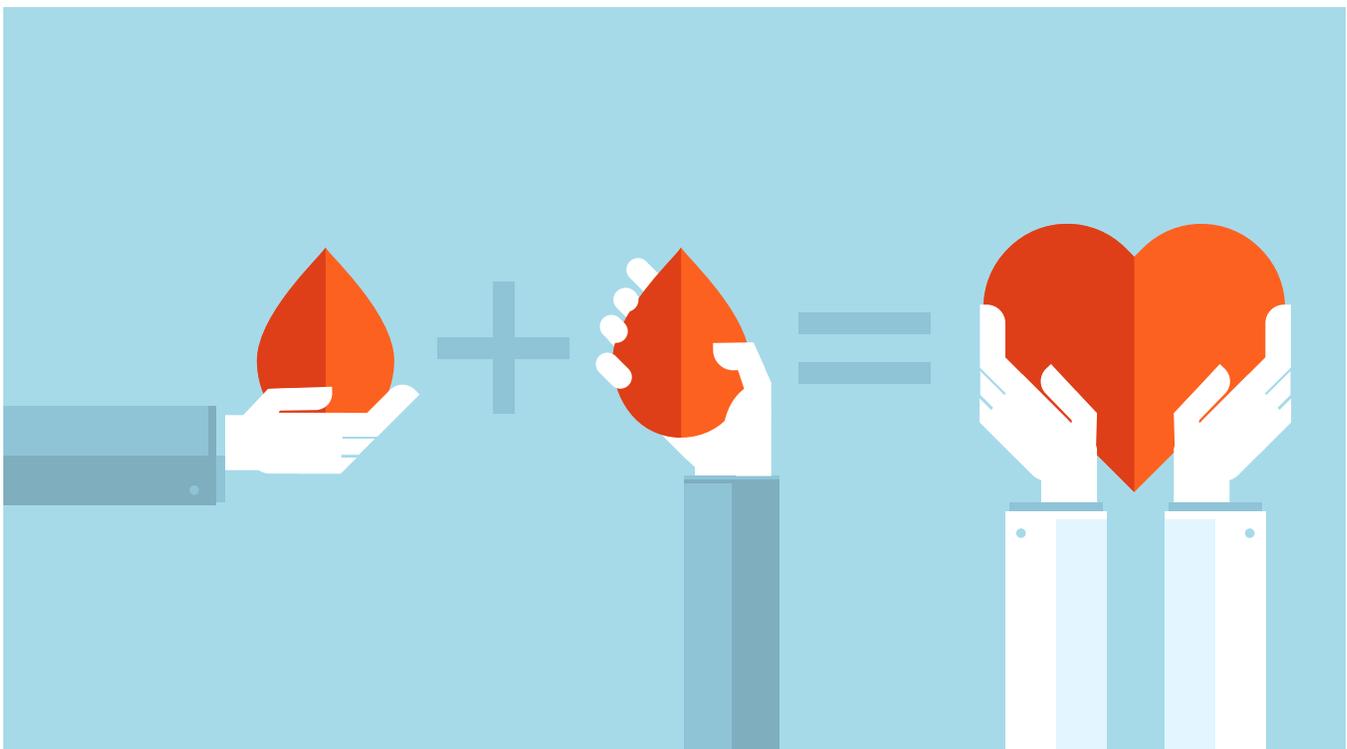
## Responding to COVID-19

Beginning in December 2019, the world began reckoning with the massive impact of the coronavirus (COVID-19) outbreak. With top medical officials, including the United States Centers for Disease Control and Prevention (CDC) and World Health Organization (WHO) encouraging "social distancing" to slow the spread of the virus, we reacted swiftly to COVID-19 and responded with similar protocols.

The primary focus of our response to COVID-19 is to ensure we continue to meet our advisors' varied needs, ensure the safety of our employees, and maintain strong operational and technological systems at the highest levels. As always, we're focused on taking care of our advisors so they can take care of their clients. We know that these are uncertain times and will continue to monitor the situation carefully and report on it to our various stakeholders via our website. Our 2020 report will provide more information on our COVID-19 response.

### Times of Uncertainty

We know that the volatility in the market and the spread of COVID-19 has created an atmosphere of uncertainty. For more than 30 years, LPL has focused on providing the service and support our advisors and their clients need. We know they need us now more than ever, and we will continue to be a strong presence of support during these unsettling times.





### Supporting Our Employees

In response to the COVID-19 pandemic, starting in March 2020, we implemented a work-from-home policy that enables approximately 93% of our corporate employees to work remotely. In addition, we promptly discontinued all business travel and implemented new guidance for our employees around personal travel, including mandatory 14-day self-quarantining in certain instances.

To accommodate our essential workers, we introduced additional hospital-grade disinfectants and measures in our corporate offices, including more frequent and thorough cleanings, multiple hand-sanitation stations, altered our workspaces to ensure social distancing, and restricted visitor access to our office locations.

### COVID-19 Sick Time Policy

We also developed a COVID-19 Sick Time Policy to maintain and protect the health and safety of our workforce. This policy promotes and encourages employees to take time off when they're not feeling well or believe they may have been infected with COVID-19, even when an individual may not be showing symptoms. Similarly, managers are asked to contact our Human Resources department and send

employees home if an employee is not feeling well. In both cases, this time off is paid by the company.

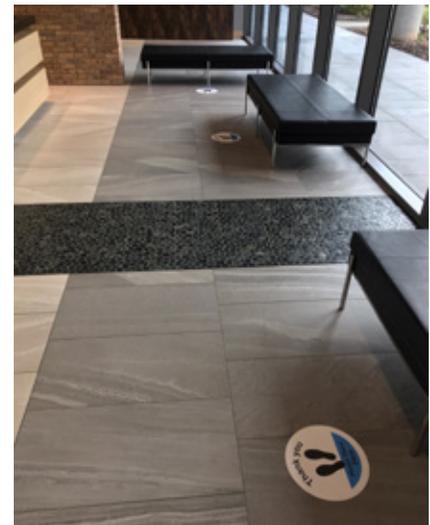
In such instances, we require ill employees to stay home and away from the office for a minimum of 14 days, during which they may work remotely if they feel well enough and are set up to do so. If they do not have the appropriate tools and resources to successfully work from home, they are paid for 14 days by the company without having to utilize their paid-time-off time.

Before employees may return to work, they must complete an Attestation Form and acknowledge they meet one of the CDC's two definitions of "recovered," as per their return to work guidelines. These policies are designed to minimize or eliminate the financial stressors for employees already dealing with health or family stressors caused by this global pandemic, and to discourage any potentially ill employee from jeopardizing the health of others out of a fear of lost wages.

### Active Engagement with Our Employees

The health of the LPL family has and will always be our priority. As we navigate these unprecedented times together, we temper uncertainty with more information and increased communication. At the height of the crisis, we distributed two weekly employee newsletters related to COVID-19, met with our management team virtually three times a week, and provided frequent videos from our CEO. We continue to provide a weekly update on the general health of our LPL family to ensure we remain grounded in what we know and remind us to keep our

teammates close in our thoughts. In addition, with the volume of change and cloud of uncertainty surrounding COVID-19, we're checking in every couple of weeks to ensure that our employees are mentally and physically healthy, which has resulted in over 90% of employees responding that LPL is taking care of them "very well" or "extremely well."



Social-distancing signage, Fort Mill, SC office

Communication to our employees and advisors was and is paramount in order to continue to provide excellent service to clients, especially during a primarily remote working environment. With this in mind, we developed curated COVID-19-related content that is available to our employees via virtual delivery on our Learning Management System. It includes both trainings on working-from-home efficiencies, such as virtual teaming and virtual new-hire procedures, as well as up-to-date market insights. By proactively keeping our employees well informed, we believe we are setting them up for success to, in turn, better serve our advisors and their clients.



## Supporting Our Advisors

To combat the impact of the COVID-19 epidemic, we have created a dedicated Emergency Response Team that manages all risks to our business continuity, including public health issues. At the height of our crisis response, this team met daily about COVID-19 and was in continuous contact with members of the CDC. We also extended our service hours to accommodate our advisors' dynamic schedules and implemented a strong Business Continuity plan to back our availability and services further. The Business Continuity plan allowed us to transfer work from one office location to another and add remote work protocols, which supported our employees' ability to work from home.

In addition, we created and continue to update market commentary, end-investor communication, and other content from our Research team for unique perspectives and insights on market volatility. We added a second weekly e-newsletter for our advisors that focused solely on COVID-19 topics relevant to them. We also canceled three key conferences planned during recent or upcoming months to safeguard our advisors and employees. Furthermore, our management team contacted our critical vendors to ensure they implemented preparation contingencies for planned advisors and employee events.

## Philanthropic Response

At LPL, caring for our advisors and each other is at the heart of everything we do. That care extends beyond the walls of LPL into the communities where we live and work throughout the year, and especially during these challenging times. LPL Financial Foundation and LPL partnered to provide support for our communities by donating more than \$1 million.

### Community Partners

The LPL Foundation provided grants to our long-standing partners to enable them to quickly respond to the needs of their clients.

- Our partners at Junior Achievement in [San Diego](#) and the [Carolinas](#) are moving to virtual educational opportunities to support at-home learning, and these funds will help them secure the technology necessary to execute these innovative programs.
- [Johnson C. Smith University](#) in the Carolinas was provided an emergency grant to assist students who did not have the financial means to unexpectedly return home when the campus closed.

### Fighting Hunger

In honor of our advisors who qualified at the Masters level, our donation will help Feeding America provide up to 1 million meals. To address local food needs, we contributed to the [Jacobs & Cushman San Diego Food Bank](#) and [Second Harvest Food Bank of Metrolina](#), both of which have benefited from LPL volunteers over the years. Together, these donations have the ability to impact up to 400,000 individuals.

### At-Home Learning

Knowing the challenges that families face to provide resources for home-schooling, we partnered with two organizations that help prevent learning loss. Our Carolinas partner, [Promising Pages](#), works with the school system to provide free books to students at the daily meal distribution locations. In San Diego, [Computers 2 Kids](#) addresses the digital divide by providing refurbished computers to families in need.

While there will always be unpredictable, disruptive forces beyond our control, there's one thing we can control: how we protect and support our LPL family and the communities we serve.

Social-distancing signage, Fort Mill, SC office





## Highlighting Our ESG Data

LPL'S BUSINESS				
	Unit	2018 Value	2019 Value	% Change
Number of client accounts	Client Accounts	5,400,000	5,700,000	+6%
Net revenue	Dollars	5,200,000,000	5,624,856,000	+8%
Number of advisors/financial professionals	People	16,109	16,464	+2%
Average years of industry experience among financial advisors	Years	-	20	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as "-"

GOVERNANCE				
<b>Data privacy and protection/Cybersecurity</b>				
	Unit	2018 Value	2019 Value	% Change
Number of experienced professionals in the cybersecurity organization	Employees	65	100	+54%
Annual budget of the cybersecurity organization	\$ Millions	32	40	+25%
<b>Materiality assessment</b>				
	Unit	2018 Value	2019 Value	% Change
Cross-functional senior leaders in materiality assessment	Leaders	42	42	-
<b>Business ethics</b>				
	Unit	2018 Value	2019 Value	% Change
Percent of employees and advisors participating in anti-money laundering and fraud training	%	99%	100%	+1%
Number of hours in business ethics and compliance trainings	Hours	-	15,441	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as "-"

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SUSTAINABLE FINANCE				
Products				
	Unit	2018 Value	2019 Value	% Change
Number of sustainable mutual funds	Funds	181	220	+22%
Number of sustainable exchange-traded funds (ETFs)	Funds	57	82	+44%
Number of separately managed accounts (sustainable investment products)	Accounts	15	17	+13%
Number of managed models (sustainable investment products)	Models	2	2	0%
Number of sustainable money market funds	Funds	-	1	-
Investor commitment				
	Unit	2018 Value	2019 Value	% Change
Number of advisors that have invested (with their clients) in sustainable investments	Clients	9,000	8,452	-6%
Clients invested in sustainable products	Investors	100,000	120,000	+20%
Dollars invested in sustainable products	Dollars	3,500,000,000	4,400,000,000	+26%
Other				

Note: Some items that require 2018 data to calculate are not available and have thus been marked as “-”

SOCIAL				
Diversity and inclusion				
Representation				
	Unit	2018 Value	2019 Value	% Change
<b>Director</b>				
% of LPL directors that are women	%	33%	33%	0%
% of directors that are ethnic minorities	%	11%	11%	0%
<b>Senior Leaders</b>				
% of senior leaders that are women	%	-	28%	-
% of senior leaders that are ethnic minorities	%	-	7%	-
<b>Employee base</b>				
% of employees that are women	%	-	46%	-
% of employees that are ethnic minorities	%	-	41%	-
<b>Independent Financial Advisors</b>				
% of investment professionals that are women	%	-	17%	-
Initiatives				
	Unit	2018 Value	2019 Value	% Change
Number of employee resource groups (ERGs)	Groups	10	11	+10%
Number of ERG chapters	Chapters	17	18	-
Number of national ERG chapters	Chapters	4	4	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as “-”

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<b>SOCIAL (continued)</b>				
<b>Diversity and inclusion (continued)</b>				
<b>Initiatives (continued)</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Number of executive sponsors of ERGs	%	17	16	- <1%
Number of employees in ERGs	Employees	1,138	1,488	+31%
<b>Training and professional development</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Advisors participating in LPL mandatory training programs	Hours	29,000	29,000	0%
Advisors total hours in training	Hours	-	72,306	-
Advisors training satisfaction rate	%	90%	90%	0%
Number of employee hours spent participating in LPL training programs	Hours	109,000	94,730	-13%
Employee training satisfaction rate	%	85%	90%	+5%
On-demand training programs	Programs	200	200	0%
<b>Employee engagement</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Response rate in 2019 Engagement Survey (LPL Listens)	%	92%	94%	+2%
Favorable responses in 2019 Engagement Survey	%	69%	72%	+4%
<b>Employee Benefits</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
% of employee participation in retirement, health and wellness, or other employee benefit programs	%	99%	99%	0%
% of employees participating in retirement plans	%	-	92%	-
Average employee salary deferral rate	%	-	8%	-
Employee medical expense budget	\$ Millions	-	50	-
% of employee medical premiums paid by LPL	%	-	80%	-
% difference between LPL's coverage of employee medical premiums vs industry benchmark	%	-	5%	-
<b>Corporate Giving</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Amount contributed to non-profit firms	Us Dollars	500,000	1,500,000	+200%
<b>Employee Volunteerism</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Number of volunteer hours logged by employees	Hours	11,150	12,142	+9%
% of employees who used Volunteer Time Off	%	22%	25%	+14%

Note: Some items that require 2018 data to calculate are not available and have thus been marked as "-"

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<b>SOCIAL (continued)</b>				
<b>Supply Chain Management</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Number of vendors that predominantly provide services	Vendors	-	1,800	-
Estimated % of vendors screened for diverse suppliers	%	-	10-15%	-
<b>COVID-19 Response</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
% of corporate employees capable of working remotely	%	-	93%	-
% of employees that replied that "LPL is taking care of them 'very well' or 'extremely well' [during the COVID-19 crisis]"	%	-	90%	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as "-"

<b>ENVIRONMENTAL</b>				
<b>Carbon*</b>				
<b>Scope 1<sup>1</sup> Greenhouse Gas (GHG) Emissions</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Fort Mill Scope 1 emissions	tCO <sub>2</sub> e	-	5,411 <sup>2</sup>	-
San Diego Scope 1 emissions	tCO <sub>2</sub> e	-	1,397 <sup>3</sup>	-
	<b>Total Scope 1<sup>4</sup> Emissions</b>	<b>-</b>	<b>6,808</b>	<b>-</b>
<b>Scope 2<sup>1</sup> GHG Emissions</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Fort Mill Scope 2 emissions	tCO <sub>2</sub> e	-	2,522	-
San Diego Scope 2 emissions	tCO <sub>2</sub> e	-	512	-
Boston Scope 2 emissions	tCO <sub>2</sub> e	-	53	-
	<b>Total Scope 2<sup>5</sup> emissions</b>	<b>-</b>	<b>3,087</b>	<b>-</b>
<b>Scope 3<sup>1</sup> GHG Emissions</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Business travel	tCO <sub>2</sub> e	-	3,519	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as "-"

\* We are in the process of improving our data collection processes to capture a more complete picture of our impacts moving forward.

1 Scope emissions are defined by the World Resources Institute's (WRI) Greenhouse Gas Protocol.

2 Fort Mill's Scope 1 emissions were calculated using natural gas and one month of fuel oil.

3 San Diego's Scope 1 emissions were calculated using natural gas data.

4 Scope 1 emission streams include consumption of natural gas, fuel oil, and district cooling.

5 Scope 2 emissions calculated using WRI GHG Protocol's location-based method.

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<b>ENVIRONMENTAL (continued)</b>				
<b>Energy*</b>				
<b>Grid Electricity Consumption</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Fort Mill electricity kWhs	kWh	7,359,988	7,439,450	+1%
San Diego electricity kWhs	kWh	1,668,000	2,266,277	+36%
Boston electricity kWhs	kWh	222,268	221,419	- <1%
	Total grid electricity consumption	9,250,256	9,927,146	+7%
<b>Renewable Energy Generated (San Diego Office)</b>	kWh	4,140,852	7,074,891	+71%
	Total electricity consumption	13,391,108	17,002,037	+27%
% of San Diego electricity consumption that was renewable	%	71%	76%	+6%
<b>Other Fuel</b>	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Total natural gas usage (Fort Mill and San Diego only)	Therms	1,173,677	1,280,129	+9%
<b>Other energy items</b>	<b>Unit</b>	<b>2018 value</b>	<b>2019 value</b>	<b>% Change</b>
Number of office buildings LEED <sup>6</sup> certified	buildings	3	3	0%
<b>Water</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Water withdrawal at San Diego and Fort Mill LPL offices	gallons	6,532,289	5,122,224	-22%
Water consumed at San Diego and Fort Mill LPL offices	gallons	1,197,583	1,194,776	- <1%
<b>Waste</b>				
	<b>Unit</b>	<b>2018 Value</b>	<b>2019 Value</b>	<b>% Change</b>
Composted food waste	tons	51	76	49%
Total tons of waste generated (Fort Mill and San Diego only)	tons	208	159	-24%
Total tons repurposed waste (Fort Mill and San Diego only)	tons	75	97	+29%
Total lbs. of recycled batteries	lbs	1,152	1,435	+25%
Total lbs. of shredded paper	lbs	329	200	-39%
Total waste avoided from water bottles at Fort Mill	bottles	371,550	277,464	-25%
% reduction in waste production in 2019 compared to prior year	%	-	24%	-
Increased amount of repurposed waste (in tons)	Tons	-	22	-

Note: Some items that require 2018 data to calculate are not available and have thus been marked as “-”

\* We are in the process of improving our data collection processes to capture a more complete picture of our impacts moving forward.

<sup>6</sup> LEED is a building certification for energy and water efficiency awarded by the U.S. Green Building Council.

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## GRI Content Index

This report covers calendar year 2019 and has started to align with the Global Reporting Initiative (GRI) standard reporting guidelines. The table below shows where you can find the information disclosed for each Standard Disclosure we have fulfilled or partially met.

While most information is found in this report, other primary sources include: our 2019 Annual Report, Form 10-K, and 2020 Proxy Statement.

DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	LOCATION (REPORT SECTION, URL)
<b>General Disclosures (Core Option)</b>		
102-1	Name of the organization	LPL Financial Holdings Inc.
102-2	Activities, brands, products, and services	<a href="#">[What We Do]</a> ; 2019 10-K Annual Report, page 1
102-3	Location of headquarters	75 State Street, Boston, MA 02109
102-4	Location of operations	<a href="#">[Our History]</a> ; LPL website, locations tab
102-5	Ownership and legal form	<a href="#">[What We Do]</a> ; 2019 10-K Annual Report, page 1
102-6	Markets served	<a href="#">[What We Do]</a>
102-7	Scale of the organization	<a href="#">[Empowered to Make a Difference]</a> ; <a href="#">[What We Do]</a>
102-8	Information on employees and other workers	<a href="#">[Diversity and Inclusion]</a>
102-9	Supply chain	<a href="#">[Responsible Sourcing]</a>
102-10	Significant changes to the organization and its supply chain	There were no significant changes regarding the organization's size, structure, ownership, or its supply chain.
102-11	Precautionary principle	<a href="#">[Climate Resiliency]</a>
102-12	External initiatives	<a href="#">[Supporting the Communities Where We Operate]</a>
102-13	Membership of associations	FINRA/SIP, SIFMA- Securities Industry and Financial Markets Association (the industry's largest trade group); IRI- Insured Retirement Institute; ASA – American Securities Association; Greater Boston Chamber of Commerce; New England Council – regional business association; Charlotte Regional Business Alliance; South Carolina Chamber of Commerce; San Diego Regional Chamber of Commerce; Congressional Hispanic Caucus Institute; Congressional Black Caucus Institute
<b>Strategy</b>		
102-14	Statement from senior decision-maker	<a href="#">[CEO Letter]</a>
102-15	Key impacts, risks, and opportunities	<a href="#">[About This Report]</a>
<b>Ethics And Integrity</b>		
102-16	Values, principles, standards, and norms of behavior	<a href="#">[Operating with Integrity]</a> ; LPL website: LPL Financial Responsible Business Practices
<b>Governance</b>		
102-18	Governance structure	<a href="#">[Corporate Governance]</a>

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DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	LOCATION (REPORT SECTION, URL)
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	<a href="#">[ESG Topics in Focus]</a>
102-41	Collective bargaining agreements	Not applicable
102-42	Identifying and selecting stakeholders	<a href="#">[ESG Topics in Focus]</a>
102-43	Approach to stakeholder engagement	<a href="#">[ESG Topics in Focus]</a> We review our internal ESG scorecard initiatives quarterly with our board of directors and our executive team and meet twice a year, more formally, to gain alignment and input on ESG topics.
102-44	Key topics and concerns raised	<a href="#">[ESG Topics in Focus]</a>
102-45	Entities included in the consolidated financial statements	2019 10-K Annual Report, page F-10
102-46	Defining report content and topic Boundaries	<a href="#">[About This Report]</a>
102-47	List of material topics	<a href="#">[ESG Topics in Focus]</a>
102-48	Restatements of information	No restatements
102-49	Changes in reporting	The boundaries of the report have not changed from previous years
102-50	Reporting period	Fiscal year 2019
102-51	Date of most recent report	November 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Leslie Dunham, Vice President, Corporate Communications & ESG
<b>Topic Disclosures</b>		
<b>Economic Performance</b>		
201	103-1/2/3: Management Approach	2019 10-K Annual Report, pages 1-11
201-1	Direct economic value generated and distributed	2019 10-K Annual Report, page 32
201-2	Financial implications and other risks and opportunities due to climate change	<a href="#">[Climate Resiliency]</a>
201-3	Defined benefit plan obligations and other retirement plans	<a href="#">[Employee Engagement]</a>
<b>Anti-Corruption</b>		
205	103-1/2/3: Management Approach	<a href="#">[Business Ethics]</a> ; <a href="#">[Policies, Controls, and Compliance]</a>
205-1	Operations assessed for risks related to corruption	<a href="#">[Anti-corruption Practices and Compliance Training]</a>
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">[Anti-corruption Practices and Compliance Training]</a>
205-3	Confirmed incidents of corruption and actions taken	Overall, during 2019, there were no legal or regulatory fines or settlements associated with violations of bribery, corruption, or anti-competitive standards for LPL Financial Holdings that occurred.

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DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	LOCATION (REPORT SECTION, URL)
<b>Anti-Competitive Behavior</b>		
206	103-1/2/3: Management Approach	[ <a href="#">Business Ethics</a> ]; [ <a href="#">Policies, Controls, and Compliance</a> ]
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	LPL did not experience any legal actions for anti-competitive behavior, anti-trust, and monopoly practices in the reporting period.
<b>Materials</b>		
301	103-1/2/3: Management Approach	[ <a href="#">Environmental Sustainability and Stewardship</a> ]; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate. Each year they look to increase ways to reduce waste and increase items to recycle.
301-2	Recycled input materials used	[ <a href="#">Going Paperless</a> ]; [ <a href="#">Water and Waste</a> ]
<b>Energy</b>		
302	103-1/2/3: Management Approach	[ <a href="#">Environmental Sustainability and Stewardship</a> ]; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate. Each year the team looks to increase ways to reduce energy usage.
302-1	Energy consumption within the organization	[ <a href="#">Reducing Our Carbon Emissions</a> ]
302-4	Reduction of energy consumption	[ <a href="#">Reducing Our Carbon Emissions</a> ]
<b>Water And Effluents</b>		
303	103-1/2/3: Management Approach	[ <a href="#">Environmental Sustainability and Stewardship</a> ]; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate. Each year they look to for ways to reduce water usage in LPL's day-to-day operations.
303-3	Water withdrawal	[ <a href="#">Water and Waste</a> ]
303-4	Water discharge	[ <a href="#">Water and Waste</a> ]
303-5	Water consumption	[ <a href="#">Water and Waste</a> ]
<b>Emissions</b>		
305	103-1/2/3: Management Approach	[ <a href="#">Environmental Sustainability and Stewardship</a> ]; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate. Each year they look to increase ways to improve on tracking our GHG emissions and reducing , our already minimal, impact on the environment.
305-1	Direct (Scope 1) GHG emissions	[ <a href="#">Reducing Our Carbon Emissions</a> ]
305-2	Energy indirect (Scope 2) GHG emissions	[ <a href="#">Reducing Our Carbon Emissions</a> ]
305-5	Reduction of GHG emissions	GHG emissions disclosed in 2019 represent the first year LPL is measuring its emissions. Moving forward, LPL will disclose year over year progress related to GHG emissions.

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DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	LOCATION (REPORT SECTION, URL)
<b>Effluents And Waste</b>		
306	103-1/2/3: Management Approach	<a href="#">[Environmental Sustainability and Stewardship]</a> ; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate. Each year they look to reduce the waste produced in all offices and increase our composting and recyclable efforts.
306-2	Waste by type and disposal method	<a href="#">[Water and Waste]</a>
<b>Environmental Compliance</b>		
307	103-1/2/3: Management Approach	<a href="#">[Environmental Sustainability and Stewardship]</a> ; Our environmental programs and progress are overseen by our: Chief Human Capital Officer, SVP, Corporate Real Estate and VP, Corporate Real Estate.
307-1	Non-compliance with environmental laws and regulations	LPL did not experience any cases of non-compliance with environmental laws and regulations during the reporting period.
<b>Employment</b>		
401	103-1/2/3: Management Approach	<a href="#">[Our Employees and Advisors]</a>
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">[Employee Engagement]</a>
401-3	Parental leave	<a href="#">[Our Employees]</a> ; All LPL Financial employees who are regularly scheduled to work at least 30 hours per week are eligible. Interns and contingent workers are not eligible.
<b>Training And Education</b>		
404	103-1/2/3: Management Approach	<a href="#">[Training and Professional Development]</a>
404-1	Average hours of training per year per employee	<a href="#">[Training and Professional Development]</a>
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">[Training and Professional Development]</a>
404-3	Percentage of employees receiving regular performance and career development reviews	<a href="#">[Training and Professional Development]</a>
<b>Diversity And Equal Opportunity</b>		
405	103-1/2/3: Management Approach	<a href="#">[Diversity and Inclusion]</a> ; To measure the efficacy of our diversity and inclusion efforts, we survey our ERG leaders and members as well as LPL's Advisor Inclusion Council to gauge their sentiment on our programs and identify areas for improvement. In addition, our human resources teams report to LPL's Board Compensation Committee twice per year on our diversity goals and progress toward our goals. Our Talent Acquisition team is also developing standardized recruiting, interviewing, and hiring processes that focus on increasing diversity within the firm.
405-1	Diversity of governance bodies and employees	<a href="#">[Increasing Employee Diversity and Inclusiveness]</a>
405-2	Ratio of basic salary and remuneration of women to men	Information omitted due to confidentiality constraints.

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DISCLOSURE NUMBER	DISCLOSURE DESCRIPTION	LOCATION (REPORT SECTION, URL)
<b>Non-Discrimination</b>		
406	103-1/2/3: Management Approach	<a href="#">[Fair Labor Practices]</a>
406-1	Incidents of discrimination and corrective actions taken	Information omitted due to confidentiality constraints.
<b>Human Rights Assessment</b>		
412	103-1/2/3: Management Approach	<a href="#">[Responsible Sourcing]</a>
412-2	Employee training on human rights policies or procedures	<a href="#">[Fair Labor Practices]</a> ; In 2019, our employees participated in 5,009 hours of Preventing Workplace Harassment training.
<b>Local Communities</b>		
413	103-1/2/3: Management Approach	<a href="#">[Supporting the Communities Where We Operate]</a> ; The LPL Financial Foundation is governed by a Board of Directors that oversees the strategy and impact of the Foundation. The Foundation is managed by guiding principles, and all funding decisions are made in alignment with those principles. A three-year roadmap has been created based on the 2019 strategic transformation, and it is examined at every quarterly meeting.
413-1	Operations with local community engagement, impact assessments, and development programs	While the LPL Financial Foundation does not currently conduct in-depth impact assessments (beyond the annual impact reports submitted by grantees), the Foundation will begin utilizing a logic model starting in 2021 to measure the impact of our charitable efforts.
<b>Supplier Social Assessment</b>		
414	103-1/2/3: Management Approach	<a href="#">[Responsible Sourcing]</a>
414-1	New suppliers that were screened using social criteria	<a href="#">[Responsible Sourcing]</a>
<b>Marketing and Labeling</b>		
417	103-1/2/3: Management Approach	<a href="#">[Client and Advisor Protection]</a>
417-3	Incidents of non-compliance concerning product and service information and labeling	LPL did not experience any incidents of non-compliance concerning product and service information and labeling during the reporting period.
<b>Customer Privacy</b>		
418	103-1/2/3: Management Approach	<a href="#">[Cybersecurity &amp; Data Privacy]</a>
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<a href="#">[Cybersecurity &amp; Data Privacy]</a>
<b>Socio-Economic Compliance</b>		
419	103-1/2/3: Management Approach	<a href="#">[Policies, Controls, and Compliance]</a>
419-1	Non-compliance with laws and regulations in the social and economic area	LPL did not experience any cases of non-compliance with socio-economic laws and regulations during the reporting period.
<b>FINANCIAL SECTOR SUPPLEMENT</b>		
FSS	103-1/2/3: Management Approach	<a href="#">[Investing as a Force for Change]</a>
FS-6	Portfolio	<a href="#">[Sustainable Investing Products and Solutions]</a>
FS-8	Value of environmental products	<a href="#">[Sustainable Investing Products and Solutions]</a>
FS-11	ESG screening of assets under management	<a href="#">[Sustainable Investing Products and Solutions]</a>



## SASB Content Index

We have included the below disclosures related to the three sectors that are most closely aligned to our mix of businesses: Asset Management & Custody, Customer Finance and Investment Banking & Brokerage. Disclosures that appeared in more than one of these sector standards are included once. Unless otherwise noted, all data and descriptions apply to our entire firm. We do not currently disclose all metrics included in the standards for these three sectors, but we will continue to evaluate them in the future. This report covers calendar year 2019. The table below shows where you can find the information throughout the report.

DISCLOSURE TOPIC	DISCLOSURE NUMBER	DISCLOSURE ACCOUNTING METRIC	LOCATION (PAGE, URL)
<b>ASSET MANAGEMENT &amp; CUSTODY ACTIVITIES</b>			
Transparent Information and Fair Advice for Customers	FN-AC-270a.1, FN-IB-510b.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Information omitted due to confidentiality constraints.
	FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	LPL experienced legal fines resulting from marketing and communication of financial product-related information totaling \$3,350.
Employee Diversity and Inclusion	FN-AC-330a.1, FN-IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	<a href="#">[Increasing Employee Diversity and Inclusiveness]</a>
Incorporation of Environmental, Social, and Governance Factors in Investment Management and Advisory	FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	<a href="#">[Sustainable Investing Products and Solutions]</a>
	FN-AC-410a.2, FN-IB-410a.3	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	<a href="#">[Investing as a Force for Change]</a> ; <a href="#">[Sustainable Investing Portfolios]</a>
	FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	2019 Proxy Statement, page 2
Business Ethics	FN-AC-510a.1, FN-IB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Overall, during 2019, there were no legal or regulatory fines or settlements associated with violations of bribery, corruption, or anti-competitive standards for LPL Financial Holdings that occurred.
	FN-AC-510a.2, FN-IB-510a.2	Description of whistleblower policies and procedures	<a href="#">[Policies, Controls, and Compliance]</a>

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DISCLOSURE TOPIC	DISCLOSURE NUMBER	DISCLOSURE ACCOUNTING METRIC	LOCATION (PAGE, URL)
<b>CONSUMER FINANCE</b>			
Customer Privacy	FN-CF-220a.1	Number of account holders whose information is used for secondary purposes	Information omitted due to confidentiality constraints.
	FN-CF-220a.2	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	There were no monetary losses in 2019 as a result of legal proceedings associated with a compromise of LPL systems. Material legal proceedings for the Company are disclosed in Item 3 of our 2019 <a href="#">Form 10K</a> and Note 14. Commitments and Contingencies, within the notes to consolidated financial statements in the Annual Report on Form 10-K. There were no material legal proceedings disclosed in the Form 10K related to the period January 1, 2019 to December 31, 2019.
Data Security	FN-CF-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Information omitted due to confidentiality constraints.
	FN-CF-230a.3	Description of approach to identifying and addressing data security risks	<a href="#">[Cybersecurity &amp; Data Privacy]</a>
Selling Practices	FN-CF-270a.5	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	During the period, the Company was subject to legal proceedings arising out of our business operations and associated with selling and servicing our products, including lawsuits, arbitration claims, and inquiries, as well as other actions and claims. Material legal proceedings for the Company are disclosed in Item 3 of our 2019 <a href="#">Form 10K</a> and Note 14. Commitments and Contingencies, within the notes to consolidated financial statements in the Annual Report on Form 10-K. There were no material legal proceedings disclosed in the Form 10K related to the period January 1, 2019 to December 31, 2019. Please also see LPL's <a href="#">Form BD</a> for a list of legal and disciplinary events.

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DISCLOSURE TOPIC	DISCLOSURE NUMBER	DISCLOSURE ACCOUNTING METRIC	LOCATION (PAGE, URL)
<b>INVESTMENT BANKING &amp; BROKERAGE</b>			
Incorporation of Environmental, Social, and Governance Factors in Investment Management and Advisory	FN-IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry	<a href="#">[Sustainable Investing Products and Solutions]</a>
Professional Integrity	FN-IB-510b.2	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	<p>The Company is subject to extensive regulation and supervision by U.S. federal and state agencies and various self-regulatory organizations. The Company and its advisors periodically engage with such agencies and organizations, in the context of examinations or otherwise, to respond to inquiries, informational requests, and investigations. From time to time, such engagements result in regulatory complaints or other matters, the resolution of which has in the past and may in the future include fines, customer restitution and other remediation.</p> <p>During the period, the Company was subject to legal and regulatory proceedings arising out of our business operations, including lawsuits, arbitration claims, and inquiries, investigations and enforcement proceedings initiated by the SEC, FINRA, and state securities regulators, as well as other actions and claims. Below are legal and disciplinary events of the Company disclosed for purposes of regulatory disclosure requirements.</p> <p>As part of a voluntary self-reporting initiative in 2019, LPL entered into a settlement with the SEC in which the SEC found that LPL willfully violated Section 206(2) and 207 of the Advisers Act in connection with inadequate disclosure to clients of its and its associated persons' conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. The SEC ordered LPL to cease and desist from committing or causing any violations of Sections 206(2) and 207 of the Advisers Act, censured it for its conduct, and ordered the payment of disgorgement and prejudgment interest to affected investors totaling \$9,333,516.</p> <p>LPL consented to sanctions from FINRA regarding the LPL's supervisory systems and procedures relating to changes in the authority of custodians of accounts established under the Uniform Gifts to Minors Act and/or the Uniform Transfers to Minors Act, resulting in a censure, a fine of \$300,000, and an undertaking to review and enhance its policies, systems, and procedures related to supervision of such accounts. LPL entered into a consent order regarding its failure to timely register (or maintain the registration of) certain agents in Massachusetts ("MA") and failure to amend Forms U4 and U5 for certain agents registered in MA, resulting in a censure, a fine of \$1,100,000, and an undertaking to review and enhance its policies and procedures related to registering its agents in MA and filing reportable events.</p>
	FN-IB-510b.3	Description of approach to ensuring professional integrity, including duty of care	<a href="#">[Business Ethics]</a>



# LPL Sustainability Report 2020

## About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ: LPLA), is the nation’s largest independent broker/dealer (based on total revenues, *Financial Planning* magazine, June 1996–2019), an RIA custodian, and an independent consultant to retirement plans. LPL offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 16,400 financial advisors and approximately 800 financial institutions.

In addition, LPL supports approximately 4,500 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms, and technology solutions. LPL and its affiliates have more than 4,300 employees, with primary offices in Boston, Fort Mill, and San Diego.

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This material has been prepared by LPL Financial, LLC.

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