

Sustainability Report 2019



A large, light blue graphic of an opening quotation mark, positioned at the top center of the page. The background features several overlapping, semi-transparent blue geometric shapes, including a large 'X' and various rectangles and triangles, creating a layered effect.

Since its founding, LPL has championed industry leading standards on environmental, social, and governance matters. We're pleased to document those efforts in this inaugural report."

Dan Arnold, President and CEO, LPL Financial

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Not all LPL Financial Professionals offer all of the products or services discussed herein.

Letter from Our CEO

Our mission at LPL is to take care of our advisors so they can take care of their clients. LPL advisors help millions of people across the country work toward their life's aspirations.

It is a privilege to serve and support them in this vital work, and we are passionate about doing it with excellence, integrity, and the highest ethical standards. These high standards are reflected in our approach to environmental, social, and governance (ESG) matters.

While this is our first sustainability report, we have always sought to work ethically and responsibly to make a positive difference for our employees, advisors, investors, shareholders, and communities. Since its founding, LPL has championed industry leading standards on environmental, social, and governance matters. We're pleased to document those efforts in this inaugural report. We also discuss how we will advance our ESG efforts in the future.

This year, we have made progress in our work to transform our culture with our employees and to transform our service experience with our advisors. We also took steps to strengthen our sustainability efforts and further integrate them into our business practices. For example, we:

- Continued to develop our sustainable investing strategies and platforms, providing our advisors and their clients more thoughtful options to meet their sustainable investment needs.

- Expanded our training and development programs for our employees as part of our cultural transformation, giving them new tools to help them succeed.
- Improved the ease and efficacy of our paperless statement mailing program for advisors, an initiative which, as a financial firm, we believe will lead to one of the biggest impacts we can have on our environmental footprint.

Going forward, we plan to remain focused on our strategic priorities of growing our business and executing with excellence, while operating in a socially responsible manner.

We hope this report is a useful overview of the ways in which LPL is managing important environmental, social, and governance matters. We look forward to continuing to demonstrate LPL's mission and values in meaningful ways with our stakeholders in the years ahead.



Dan Arnold,
President and Chief Executive Officer



Focusing on What Matters

At LPL, our purpose is to serve and support our advisors. As a leading retail investment advisory firm and the nation's largest independent broker/dealer, we serve independent financial advisors 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. We enable our advisors to provide objective financial guidance to millions of American families seeking wealth management, retirement planning, financial planning, and asset management solutions.

Simply put, we take care of our advisors so they can take care of their clients. That is our mission and it permeates everything we do — and how we do it.

LPL Advisors At a Glance

We ended 2018 with more than 16,000 financial advisors, and those advisors supported approximately

5.4 million client accounts. Our advisors are a diverse community of entrepreneurial financial services professionals. They 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. We strive to make it easy for advisors to do what is best for their clients.

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 trust that our advisors will do what is right for them.

We take care of our advisors, so they can take care of their clients.

That is our mission at LPL Financial. It permeates everything we do — and how we do it.

Our advisors are a diverse community of financial services professionals.

~5.4 MILLION
Client Accounts

16,109
Advisors



Our History

From the beginning, our founders recognized the need to create a trusted alternative to traditional financial firms. They envisioned a company built on a foundation of empowering individual financial advisors by supporting their aspirations, independence and client needs. This led to two small brokerage firms, Linsco and Private Ledger (founded in 1968 and 1973, respectively), merging in 1989 to create LPL Financial.

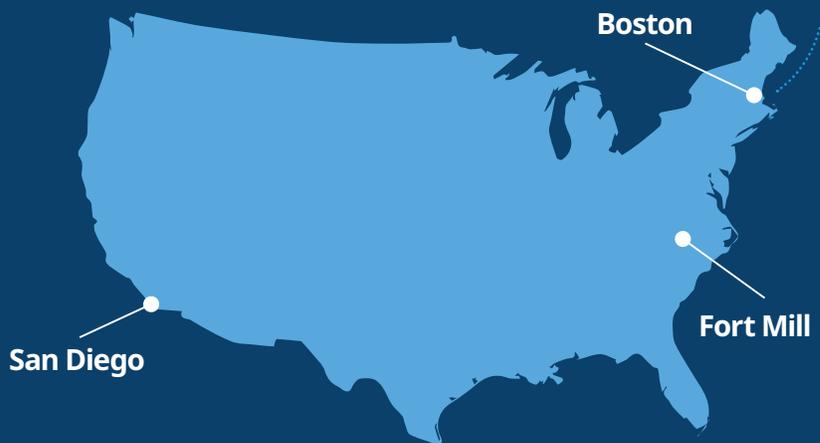
Since then, we have continued to evolve. In 2005, LPL sold a 60% ownership stake to investment affiliates of two private equity partners, Hellman & Friedman LLC and Texas Pacific Group. In November 2010, the parent

company of LPL, 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,* supporting more than 16,000 financial advisors. As we continue to grow and look to the future, we are committed to remaining a trusted resource for our advisors and their clients. The financial services industry, markets, and the world are changing fast, while people are living longer and facing more complex financial needs. Financial advisors and institutions need a partner who can help them meet the evolving needs of their clients.

*As reported in *Financial Planning* magazine June 1996–2019, based on total revenue

LPL Financial was founded in **1989**



OUR CORE LOCATIONS

LPL's Business Model

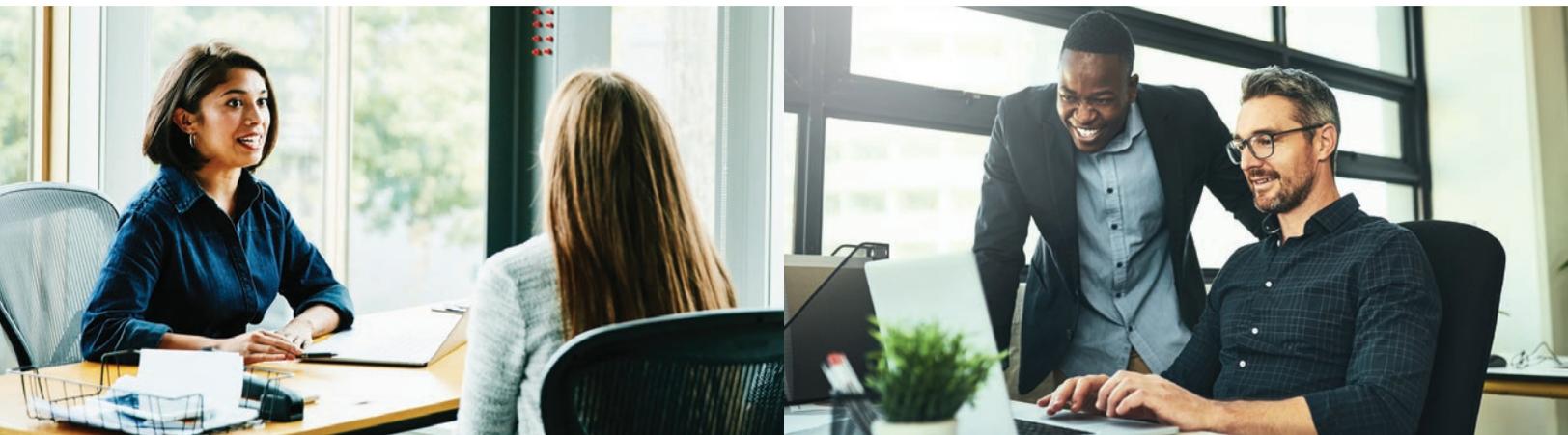
Our business is dedicated exclusively to our financial advisors. We are not a market-maker nor do we offer investment banking or underwriting services. We offer no proprietary products of our own. Because we do not offer proprietary products, we enable the independent financial advisors, banks, and credit 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 practice. 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 each advisor's 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 of our advisors operate under their own business name.



LPL Financial

LPL Financial Holdings Inc. is the parent company of our collective businesses.

LPL Financial is a clearing broker-dealer and an investment advisor that primarily transacts business as an agent for our advisors 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 At a Glance



\$5,188,400,000
2018 net revenue



LPL offers access to **181** sustainable mutual funds, **57** sustainable exchange-traded funds



One-Third of our directors are women



LPL Financial contributed over **\$500,000** to nonprofit firms



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



4,229 employees **16,109** advisors



563 managers completed our Harassment Prevention training, for a total of **1,126** training hours



Employee and advisor training has satisfaction rates of **85% and 90%**, respectively



109,000 hours of training logged by our employees and **29,000** logged by our advisors

*Except as otherwise indicated, all information is as of or for the year ended December 31, 2018.

About This Report

Report Boundaries

This is LPL's first annual Sustainability Report. Unless otherwise noted, this report covers calendar year 2018 and provides qualitative and quantitative information on our approach to managing ESG issues. Several initiatives or targets that were launched during early 2019 are included in the report to provide more up-to-date information for our stakeholders. We intend to continue to report on ESG issues annually. For additional information, you can visit [LPL's sustainability 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.

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) General and Investment Banking and 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 materiality assessment) to inform our ESG priorities. The process and results of the materiality assessment are described on page 10 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 results 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 November 1, 2019. 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 2018 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.



LPL's ESG Foundation

Building trust requires acting with integrity, and conducting business in a responsible manner remains at the core of our mission. We help enable the independent financial advisors we support to provide objective financial guidance to millions of American families, and we are committed to supporting this vital work with excellence, integrity, and ethical standards. Our work makes a difference, and we believe that the longevity of our company depends not only on the business we conduct, but also on how we conduct it.

We recognize that our business affects more than just our employees, our advisors, and their clients. With that in mind, we reviewed our business in 2019 to better understand

the environmental, social, and governance factors that we affect through our work. We created a collaborative group of internal stakeholders, including members of our leadership team and our board of directors, to understand our current initiatives and identify ESG focus areas.

This thoughtful reflection led to LPL's ESG vision: to take care of our advisors and their clients by operating responsibly and ethically, and strengthening trust with our mutual stakeholders. As part of this process, we identified our current and prospective ESG initiatives and prioritized focus areas where we can make the biggest impact.

Our ESG Vision

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

ESG Topics in Focus

To develop our ESG Framework, we conducted a materiality assessment to determine the significant ESG issues for our company. Specifically, we:

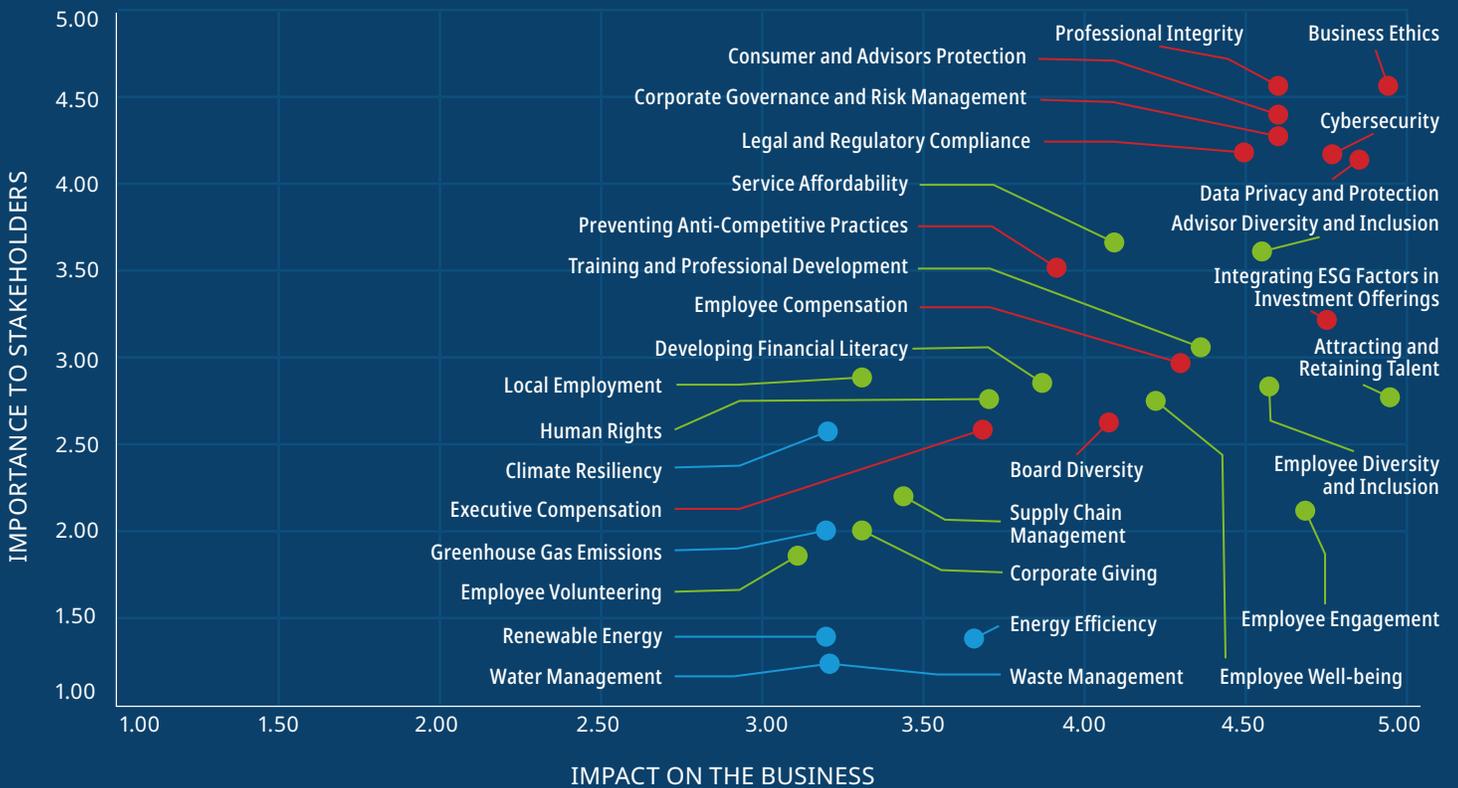
- Gathered information from external sources to identify potential ESG topics. Our sources included global reporting guidelines, such as GRI and SASB, sector benchmarking, criteria from indices and ranking agencies, and other sources.
- Engaged with our stakeholders, including our employees, leadership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

- We gathered a cross-functional group of 33 senior leaders to rank the ESG issues and identify ESG focus areas. We conducted interviews with our executives to understand the ESG risks and opportunities for the company.
- We also surveyed our advisors to understand the ESG topics that would have an impact on their own businesses. The materiality matrix below 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 issues 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.

MATERIALITY MATRIX



Governance ● Social ● Environmental ●

ESG Aspirations

Our goal is an ESG strategy that drives long-term value through meaningful progress and disclosures that are transparent and credible. As our ESG priorities continue to develop and our strategies for achieving them evolve, we are focusing on setting goals that enhance our social influence and reduce our environmental impact. We will also continue to integrate additional sustainable investment practices into our service offerings. We are launching an ESG Steering Committee that will spearhead our ESG activities. We expect to continue implementing our ESG Framework, identifying key commitments, and disclosing progress for identified key performance indicators.

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. LPL is 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 and evolved to become our ESG program, subsequently expanding to encompass additional social and environmental matters that are aligned with our strategy and culture.

Our Nominating and Governance Committee plans to review the progress against our ESG program on periodic basis and at least annually. In addition, our executive vice president and chief marketing and communication officer is responsible for providing executive oversight of our ESG strategy.

Corporate Governance Highlights

- All of our board directors other than our chief executive officer are independent under applicable NASDAQ and SEC rules
- All of our directors serving on board committees are independent under applicable rules
- All directors are elected annually
- More than 40% of our directors represent gender, ethnic or racial diversity
- Six independent directors were appointed in the last five years
- 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





Dedicated, Diverse, and Bright: Our Employees and Advisors

Experience has shown us that success is achieved only when you have the right people on your team. That is why we are grateful for the more than 4,000 employees who help us achieve our goals as a company, and over 16,000 advisors who partner with us to achieve their clients' financial goals. Together, we are one team on one mission.

Our Employees

We recognize that we could not succeed without our dedicated employees. We believe that every employee on our team plays a role in creating an environment in which each of us feels connected to the work we do, the team we do it with, and the company as a whole.

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.

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.

Fair Pay

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.

Our Employees and Advisors > Our Employees

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. Our policy against sexual harassment encourages the reporting of all incidents of discrimination, harassment, or retaliation, regardless of the offender's identity or position. Any reported allegations are investigated promptly, confidentially, and without retaliation for good-faith notification of potential violations.

To help ensure our colleagues abide by this expectation, we require mandatory Harassment Prevention training. In 2018, 563 managers took and completed our Harassment Prevention training. Our workplace training program also 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. By providing this training annually, LPL seeks to build awareness about these threats, reduce workplace claims, and to help ensure that managers are properly informed on ways to prevent harassment.

Employee Engagement

To foster greater connection with our employees and to support their work, we regularly check in with them via an annual survey that gauges employee sentiment and help ensure that our colleagues feel heard. This survey, which is called "LPL Listens," affords our employees the opportunity to share their perspective on their experience working at LPL.

In 2019, our Engagement Survey elicited a 94% response rate, which was a 2% increase compared with

2018. Overall, employee engagement was up 3% from the previous year. Our Engagement Survey helps us understand what we are doing well and what we can improve, while also measuring satisfaction in such areas as benefits, compensation, community involvement, and diversity and inclusion, among other relevant topics. We leverage our survey results to identify areas for improvement, both at the corporate level and within business units and teams. These results also led to Engagement Action Committees within our business units, which support solutions and activities within functional areas.

In addition, we want our employees to achieve a balance among their commitments to career, family, and community, so we invest in health and benefits programs that support varied lifestyles. These include retirement, 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. Over 99% of our employees participate in at least one of the benefits we offer.

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
- LPL Security Incident Management Policy

Spotlight on LPL Benefits

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





[Our Employees and Advisors](#) > Our Employees

Employee Health and Wellness in the Workplace

We provide a robust offering of health and wellness benefits to help employees maintain a healthy lifestyle and achieve physical and emotional well-being. The LPL benefits portfolio includes:

- Medical coverage, including telemedicine, Compass Health Pro concierge health advocate services, and Best Doctors second opinion, case management, and education services
- 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
- Dental and vision coverage
- Life and accidental death and dismemberment insurance
- Short-term and long-term disability insurance
- Accident and critical illness coverage
- Healthcare and dependent care flexible spending accounts
- Health savings accounts
- Employee assistance program, including clinical counseling and work/life services
- Employee relief fund, providing financial assistance to employees and their immediate family members who experience losses from emergencies beyond their control
- Ergonomic resources
- On-site cafeterias
- Walking, running, and bike paths and trails adjacent to our office buildings in Fort Mill
- Mountain bikes and sports equipment for employee use

We also partnered with Plus One Health Management and Optum Company, which are leading corporate wellness and fitness organizations, to offer our employees the LPL Live Well portal. The LPL Live Well portal is a wellness resource for employees that provides access to information on physical activity and step trackers,

nutrition information and journals, a searchable fitness library, incentive programs that reward healthy activities, challenge programs that help employees get fit through friendly competition, and wellness podcasts.

Our employees also have access to a free, confidential employee assistance program (EAP). An initial assessment and up to five face-to-face counseling sessions are free per incident, and we do not have a limit to the number of incidents an employee may identify. Assistance is available for, among other things, life changes, stress management, and financial and legal concerns. This benefit is available for employees and everyone in their household.

Employee Training and Professional Development

Supporting our employees' growth and development is also a top priority for our firm. We provide our colleagues with a variety of programs focused on honing specialized skills, broadening industry knowledge, and developing leadership qualities. When an employee joins our team, we host formal training to educate new hires on different parts of our business. Our three-day New Hire Orientation program immerses new colleagues in all things "LPL." To facilitate mentorship, we assign a "buddy" to each employee to expand their career path and personal development opportunities.

In 2018, our employees spent approximately 109,000 hours participating in our training programs. 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 85%. We look forward to improving this number as we seek new ways to engage and train our employees.

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 and 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 an easy-to-use, single stop portal for a simpler, smarter, and more personal way to learn. In addition, there are programs specifically for managers, executives, emerging leaders, and anyone else who aspires to optimize their skills and career opportunities. These skill-building and leadership training programs include:

- **Leading with Excellence Program:** A training for our managers that provides instruction on developing leadership skills.
- **Go Lean Six Sigma:** For assistant vice presidents and above, this program teaches process and decision-making efficiency strategies, problem-solving skills, and team-building.
- **Courageous Conversations and Purpose of Positive Language Trainings:** These courses teach effective communication techniques and the importance of using positive language when addressing client inquiries and collecting feedback.
- **CareerFOCUS:** In this multi-course series, employees learn a proven and strategic framework for managing their career and professional development.

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



- **LPL Development Center:** Features numerous resources to help employees at any stage of their career stretch their talents, expand their skill set, and prepare for new opportunities.
- **The Emerging Leaders Program:** This is a two-and-a-half-day development program for top talent assistant vice presidents and vice presidents through a peer-to-peer learning environment. The main topics include “Micro-Equities: The Power of Small,” “Multipliers,” “Courageous Conversations,” and “Strategy & Finance.”
- **EVP Development Days:** This course, for executive vice presidents, focuses on strategy for extending LPL’s leadership position within the scope of our current business model and the three-year arc to executing on our strategy.
- **Service Center Training:** This dynamic training offers everything from understanding financial services to how to complete forms to how provide stellar customer service to our advisors.
- **Diversity & Inclusion Training:**
 - **Unconscious Bias Training:** Focuses on helping employees understand the meaning of diversity, inclusion, and unconscious bias. Through interactive exercises, employees learn to practice inclusion and appreciate the diversity of others, along with recognizing how their bias may affect the world around them.



- **StrengthsFinder Training:** Based on using the StrengthsFinder tool, participants learn about their natural talents and how they use them every day. This discovery usually leads to a new level of self-affirmation and understanding about patterns a person has seen over his or her lifetime.
- **How to be a Sponsor:** This program helps employees and leaders understand the power of sponsorship. There is a clear difference between mentorship and sponsorship, and this training helps participants understand both.
- **Diversity Intelligence:** This program utilizes the Mesh Diversity platform, and as a part of the hiring process, enables the organization to hire leaders who show strong emotional intelligence and, thus, strong behaviors that support inclusion.

[Our Employees and Advisors](#) > Our Employees > Employee Training and Professional Development

Our training programs also help our employees develop skills as they are promoted to new levels. For example, each of our 106 new managers in 2018, which represented 19% of all managers, took and completed our Great Manager Fundamentals training course, for a total of 1,272 training hours.

We launched Great Manager Fundamentals in 2014 with the purpose of providing basic people-management skills to managers who were new to LPL, new to the manager role, or who wanted to continue their professional development.

The Great Manager Fundamentals training course is an opportunity to create a peer community for LPL people managers to connect outside of their teams — and to learn from each other through interactive

discussions, case studies, and small group activities. Topics covered during the two-day course include:

- Great Manager Philosophy (behaviors/characteristics)
- LPL's Management System
- Decision-Making and Risk Management
- Performance Management
- Coaching and Feedback
- Talent Acquisition (hiring/working with recruiters),
- Compensation (understanding LPL philosophy and practices with merit, etc.)
- Workday — Manager Tools Demo
- Diversity & Inclusion: Unconscious Bias

In addition, we encourage our professionals to pursue postgraduate education by offering tuition reimbursement programs.

Talent Review

Guiding our employees in their career progression is an important part of what we do. Among the professional growth and development programs we offer is Talent Review. It's an annual process where LPL's overall talent is assessed, high-potential leaders are identified, and succession plans for senior-level leaders are confirmed.





Our Employees and Advisors

Our Advisors

We strive to make it easy for our advisors to do what is best for their clients. Engaging with our advisors allows us to identify the support they need to best serve their clients. In 2018, our advisors spent approximately 29,000 hours participating in our training programs. Through our quarterly reports used to track our training and development programs, we found 90% of advisors who participated in our training programs were satisfied with the content we provided.

Advisor Engagement

We engage with our advisors regularly and monitor their experience with us to understand the issues that are either hindering or facilitating their success. In addition to the training opportunities we've noted, 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 advisor feedback and translate it into action plans.

We conduct an NPS survey twice a year and our scores saw an increase of roughly 30 points from 2018 to 2019, primarily driven by our renewed focus on making it easier for our advisors to do business with us.

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.
- **Advisor Firm Element:** Required by the Financial Industry Regulatory Authority, these trainings cover topics such as conflicts of interest, security and privacy, the Annual

Compliance Meeting, and anti-money laundering, financial crimes, and fraud.

- **Advisor 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. Over 1,100 professionals, which include advisors or licensed and non-licensed administrative assistants, enrolled in this program after we launched it in December 2018.

Inclusivity Begins with Listening

We strive to help our advisors understand the dynamics that matter to communities of investors they work with, including those of varying backgrounds and belief systems. We encourage our advisors 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.

Diversity & Inclusion

We strongly value diversity and inclusion, recognizing that varied perspectives and backgrounds lead to new ideas, innovative approaches, and enhanced business value for our company and industry as a whole. We also believe promoting diversity and inclusion supports a corporate culture grounded in respect, openness, motivation, and teamwork, leading to our ability to be responsive

to one another, our advisors, and their clients.

That is why we aspire to be the most diverse and inclusive place to do business. From advisor 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

Attracting and retaining a workforce that reflects the diversity of the communities in which we live and work continues to be at the top of our agenda. We also aspire to maintain a culture that supports, inspires, and respects everyone throughout LPL. Of 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, 53.8% are women. We believe diversity within our workforce will continue to grow due to our focus on equality in opportunity and compensation.

Commitment to Board Diversity

Our Corporate Governance Guidelines, which can be found on our [website](#), reflect our commitment to director diversity. Our goal is balance. We believe having board members who bring a variety of skills, expertise, experiences, perspectives, tenures, and personal characteristics, including diversity of age, race, gender, and ethnicity, helps us ensure creative and well-considered guidance and solutions. When conducting director searches, the board is committed to actively seeking individuals from varied backgrounds to include in the pool from which board nominees are selected.



Through the Years: Diversity and Inclusion Recognition

LPL Awarded 2020WOB for Board Diversity

In 2019, we were recognized as a Winning 'W' Company by 2020 Women on Boards (2020WOB). We are proud to have three women on our nine-member board of directors, and 2020WOB recognized LPL for our commitment to diversity.

"Our board of directors represents smart and innovative leaders with a variety of perspectives, backgrounds, and experiences. It represents our commitment to our clients, employees, and investors to be an industry leader in diversity and inclusion," said Sallie Larsen, LPL Managing Director and Chief Human Capital Officer. LPL Financial board members include Paulett Eberhart, Allison Mnookin, and Anne Mulcahy.

Studies have shown that the varied perspectives of women are uniquely valuable to corporations

and the challenges they face today. Companies with more women in top management positions tend to exhibit better organizational and financial performance. Additionally, diversity of leadership styles and performance models has been shown to be a clear accelerator for business.

"We are proud of our history at LPL and have a long-standing commitment to the progression of gender diversity at the board and management levels. We believe that diversity and inclusion at all levels is critical to our company's success," added Anne Mulcahy, who joined LPL's board in 2013.

2020WOB is a global education and advocacy campaign committed to building public awareness and momentum toward achieving 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.



- Since 2016 – 100% rating on the Human Rights Campaign Foundation's Corporate Equality Index. Recognized for taking steps to ensure greater equity for LGBTQ workers and their families in the form of comprehensive policies, benefits, and practices.



- 2017 – Michelle Oroschakoff, LPL's Chief Legal and Risk Officer, was recognized at the Women in Leadership Linkage Conference for her leadership in diversity and inclusion.



- 2018 – LPL's chief diversity officer, was recognized by the Charlotte Business Journal with the Women in Business Award for diversity efforts.



Advancing Women Leaders

To engage and inspire our high-performing women, we send women employees annually to a renowned conference focused on advancing women. In 2018, we sent 10 women to this conference and have sent over 50 women in the last five years. The conference offers an immersive learning experience designed to accelerate the advancement and maximize the potential of women leaders.

Our Employees and Advisors > Diversity and Inclusion

Sharing Interests and Experiences

Among the ways LPL fosters diversity and a culture of inclusivity is through our Employee Resource Groups, 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, among other activities. We now have 10 unique Employee Resource Groups; 17 total chapters, including four national chapters; and 17 executive sponsors. Currently, over 33% of LPL's employees belong to at least one Employee Resource Group:

- AfricanAmericans@LPL
- Asians@LPL
- Hispanics@LPL
- PrideAlliance@LPL
- Veterans@LPL
- Women@LPL
- WorkingParents@LPL
- YoungProfessionals@LPL
- PeoplewithdisAbilities@LPL

Our Employee Resource Groups continue to play an invaluable role in creating 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 ideologies. From African-American History Month, Women's History Month, and Hispanic Heritage Month to National Pride Month and National Diversity Awareness Month, we celebrate the contributions of various groups, learn how to overcome biases, and break down barriers.

Diversity and Inclusion Training

To foster greater awareness around issues related to diversity and inclusion, we host trainings for our employees that focus on these topics as well as unconscious bias — the assumed social stereotypes about certain groups of people that individuals formed outside of conscious awareness.

For example, in 2018, 830 Service, Trading, and Operations employees participated in Unconscious Bias training. The Compliance, Legal & Risk organization also required all managers to participate in "How to Lead Others Not Like You" and Unconscious Bias training programs.

In early 2018, we also hosted a company-wide event, the Vernā Myers diversity and inclusion training experience, live in Fort Mill and simulcast throughout the firm. Vernā Myers' dynamic training programs help leaders and employees develop skills and strategies for building more inclusive, culturally competent work environments.

Following this training, the CEO and the entire Management Committee gathered for an open discussion about diversity and inclusion at LPL.



Advisor Diversity

Everyone deserves access to objective financial advice. 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. This includes developing resources to help our advisors grow their businesses by reaching and connecting with a wide array of investor groups.

To promote diversity among our advisors, LPL established 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 among the most diverse and inclusive place to do business. The Advisor Inclusion Council's objective is to recruit more LPL advisors 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.

Advisor Inclusion Council members' responsibilities include: fostering greater awareness and understanding of cultural markets; making suggestions and recommendations to improve how LPL supports advisors to help them

grow their businesses; and serving as ambassadors to ensure all advisors feel included, connected, and valued at LPL. In 2018, LPL's Advisor Inclusion Council met several times with the LPL management team to identify and develop strategies that would further enhance LPL's diversity, inclusion, and employee engagement.

As we continue to increase the number of advisors we support, we are focused on pursuing three goals to nurture greater diversity and inclusion in our business:

- Attract more diverse advisors
- Help them connect with cultural markets
- Foster greater inclusivity within our own business

In addition, we are continuing to integrate advisor and investor diversity into Focus, our largest advisor conference. These and other 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.



Looking Forward: Diverse Community Groups

We launched our African American Advisor Business Community in February 2019 and plan to launch other diverse community groups to enable advisors to learn, share, and grow.



Principles Matter: Our Sustainable Investing Practices

Our success is driven by enabling financial advisors to create and grow profitable businesses through services and tools that help them meet the needs of their clients. We also want our advisors and other stakeholders to know that we have the tools and insights to help their portfolios flourish, no matter what their 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.

Therefore, in addition to providing advisors with innovative solutions and exceptional service, we are expanding our available product line-up and third-party ESG solutions to help investors support their beliefs and reach their financial goals.

Various labels are used to describe this approach, which have evolved

to address such challenges as global natural resource scarcity, population growth, changing social norms, demographic shifts, and poverty reduction. Labels such as socially responsible investing (SRI), ESG investing, and impact investing are often used. Other terms that are similar but distinct in meaning include responsible investing, values-based investing, and mission-aligned investing. Unfortunately, these similar labels may mean different things to different people and can perpetuate confusion.

The umbrella term “sustainable investing” describes our deliberate practice of supplementing traditional financial analysis with ESG factor analysis in the investment decision-making process. Sustainable investing is inclusive of a wide range of investment practices, including SRI, which has traditionally been associated with the approach of

excluding companies on the basis of moral values, and ESG integration, which is the intentional integration of ESG factors — issues that are difficult to measure in monetary terms but may affect the risk and return of investments.

We understand and appreciate the complex relationships and increasing feedback loops between business, industry, society, and the environment. 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.

Sustainable Investment Philosophies

The idea of sustainable investing is not new, and many investors relate the term to SRI, which is an investment strategy that excludes companies and industries on a basis of moral values (e.g., alcohol consumption and gambling). This type of investment strategy still exists, but it is important to note that sustainable investing has evolved beyond emphasizing exclusionary screening based on a narrow range of criteria.

Today, greater emphasis is placed 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.

At LPL, we have a robust Research Department of approximately 40 employees who focus on providing daily investment guidance and market analysis for our advisors. They drive

our sustainable investing approach, which focuses on identifying prudent sustainability practices, the intentional implementation of sustainable investment strategies, and a sustainable investment practice that leads to a broader orientation towards stakeholders (suppliers, customers, employees, and communities) as well as stockholders.



Sustainable Tools and Resources for Our Advisors

LPL's Research team provides resources for market insights, asset allocation, manager research, and turnkey centrally managed portfolios for advisors who want to include sustainable investing in their practices.

To aid in their ESG investment strategies, we offer our advisors access to a variety of ESG-focused investing materials through our Sustainable Investing web page, which we launched in 2019.

Market Insights

- We use a combination of independent research providers and internal research to aid in developing market perspectives.
 - Macroeconomic environment
 - Portfolio implementation
 - Market conditions and investor behavior
- The resources include details about the practice of sustainable investing, our research conducted with sustainable investment managers, and our views about the current and potential future state of the space.

Asset Allocation

- Our research team uses a combination of independent research providers and internal research to aid in asset class positioning and properly diversifying assets.
 - Strategic investing — set long-term strategic asset class weights through capital market assumption development
 - Tactical investing — implement shifts in positioning across asset classes based upon shorter-term market conditions
- The resources include details about our strategic and tactical asset allocation views that may benefit an advisor's portfolio construction process.

Manager Research

- We use multiple databases and internal research to aid in the identification of active managers with a goal to consistently add value to a diversified portfolio.

- Review the total investment universe to identify possible candidates
- Gather data and perform quantitative and qualitative analysis
- Build consensus to identify top picks in asset classes across various risk categories
- Our research team specifically seeks a diversified group of managers that implement the various sustainable investing approaches, which includes exclusionary screening, best-in-class selection, active ownership, thematic investing, impact investing, and ESG integration.
- The resources include guidance about which strategies we believe are attractive for a portfolio and collateral that may benefit an advisor's portfolio construction process.

Portfolio Construction and Model Recommendations

- We utilize its capital market assumptions, strategic and tactical outlooks, and manager research to design centrally managed diversified portfolios.
 - Set strategic and tactical asset allocation
 - Select appropriate third-party investment managers
 - Build diversified benchmark-aware portfolios
 - Monitor and rebalance as needed
- The resources include details about our centrally managed diversified portfolios that may benefit an advisor's sustainable investing practice.

This material is for general information only and is not intended to provide investment advice or recommendations for any individual. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. There is no assurance that the products or strategies are suitable for all investors or will yield positive outcomes. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing.

Investing in mutual funds and Exchange Traded Funds (ETF) involves risk, including possible loss of principal. The funds value will fluctuate with market conditions and may not achieve its investment objective. Upon redemption, the value of fund shares may be worth more or less than their original cost. For fund specific risks please refer to the prospectus. Investing in a Separately Managed Account (SMA) involves direct ownership of the assets purchased by the investment manager on the investor's behalf. Investors should understand and be able to bear all of the risks associated with the underlying assets. The structure of SMAs exposes them to special risks including taxation risk, portfolio risk, and potentially high fees. Environmental, social and governance (ESG) funds and strategies are subject to the risk of underperforming the broader equity market or other funds that do not utilize ESG criteria.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

Sustainable Investing Portfolios

Sustainable investing (SI) 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. Our Research team also developed SI portfolios, which are available on our Model Wealth Portfolios Sustainable Investing platform. These seek to grow capital in excess of their respective benchmarks by employing a globally focused, sustainable investment approach and incorporating a

broad array of sustainable investing strategies.

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 excluding certain securities from an account, our SI

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.

Sustainable Investing Products and Solutions

LPL currently provides sustainable investing mutual funds, exchange-traded funds (ETFs), and model portfolios. As of June 30, 2019, LPL offered the following:



181
Mutual funds



15
Separately Managed Accounts



57
ETFs



2
Managed Models

Approximately 9,000 advisors have more than 100,000 clients who have invested over \$3.5 billion dollars across these products as of June 30, 2019.

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 plan to use feedback from this forum to enhance our sustainable investing strategies moving forward.

Simultaneously, we plan to offer access to more sustainable investing products and solutions, with a goal of delivering and managing new accounts, instituting a dedicated sustainable investing strategist, and growing our list of recommended third-party investment managers.

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 Solutions.

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 Financial advisor for investment advice. In addition, these clients have access to cost-efficient exchange-traded fund models managed by LPL Research and automatically invested and rebalanced according to their specific goals.

Small Market Solution

LPL's 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), LPL serves as the ERISA Section 3(38) investment manager and assumes 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 them 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. Our partners in this work include Junior Achievement and Rock the Street, Wall Street. For more information on our community involvement with partner organizations such as these, see page 37 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, and these range from insightful articles to 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

Thousands of advisors and hundreds of institutions choose to work with LPL, in part because of our reputation for maintaining high ethical standards.

We continue to add resources to build on our strong record of helping protect our advisors and their clients in the changing regulatory landscape.

Conducting ourselves in a lawful, professional, and ethical manner is integral to the way we do business. Given the role we play for our advisors, conducting our business with integrity is not just an expectation, it is a requirement. We have invested in policies, tools, and training programs that guide ethical

decision making for our advisors and employees, many of which are outlined in our [Code of Ethics](#) and [Code of Conduct](#).

Business Ethics

Our Code of Conduct (“Code”) guides our employees’ decision-making processes when there is no prescriptive rule for the situation at hand. The Code summarizes fundamental principles, explains our approach to business ethics, and provides a guiding framework for doing the right thing. The Code 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

The Code also prohibits employees from engaging in any unfair competitive actions or misusing a client’s confidential information, and mandates disclosure of conflicts of interest. For example, it outlines our strict prohibition on employees giving or receiving items of value in exchange for a specific or perceived business advantage. Understanding and upholding the Code’s principles

Operating with Integrity > Business Ethics

every day is important for our continued success and the key to maintaining the trust and respect of our employees, advisors, investors, shareholders, and communities.

The Code is not intended to address every situation that can arise in our complex, constantly changing business. We encourage our employees to exercise common sense, logic, and appropriate care when faced with compliance-related issues and, when needed, seek guidance from managers, the chief compliance officer, the chief human resources officer, the Compliance, Legal & Risk Department, or through the other avenues set forth within the Code.

As part of their business relationship with us, our advisors sign a Code

of Ethics that covers disclosure of conflicts of interest, as well as compliance with securities laws, the protection of confidential client information, and other compliance requirements. LPL does not offer proprietary investment products or have investment banking operations. What we do provide our advisors is objective advice from our team of expert analysts, strategists, economists, and investment specialists who deliver relevant, timely market and economic insights, and thought leadership perspectives and strategies. As a result, LPL advisors can make informed recommendations based on objective research and select from a wide array of available products to address their clients' financial goals.

Our Code of Conduct summarizes fundamental principles, explains our approach to business ethics, and provides a guiding framework for doing the right thing.



Policies, Controls, and Compliance

Compliance with both the letter and spirit of the Code, in addition to applicable laws and regulations and LPL's policies and procedures, is not only expected, but required. All employees and advisors are subject to the Code of Conduct. No one is exempt, regardless of position. To achieve compliance and risk excellence across our entire company, we harmonize our risk policies and goals so that they cover all areas of our business.

LPL Policies Encompassed by 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
- LPL Business Continuity Management Policy
- LPL Financial Holdings Inc. Disclosure Policy
- Media & Investor Relations Policy
- Third-Party Risk and Due Diligence Policy
- LPL Financial Policy Against Sexual Harassment and Other Workplace Harassment
- Equal Employment Opportunity Policy
- LPL Gifts and Business Entertainment Policy
- Whistleblower Policy

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



Compliance, Legal & Risk and Enterprise Risk Management

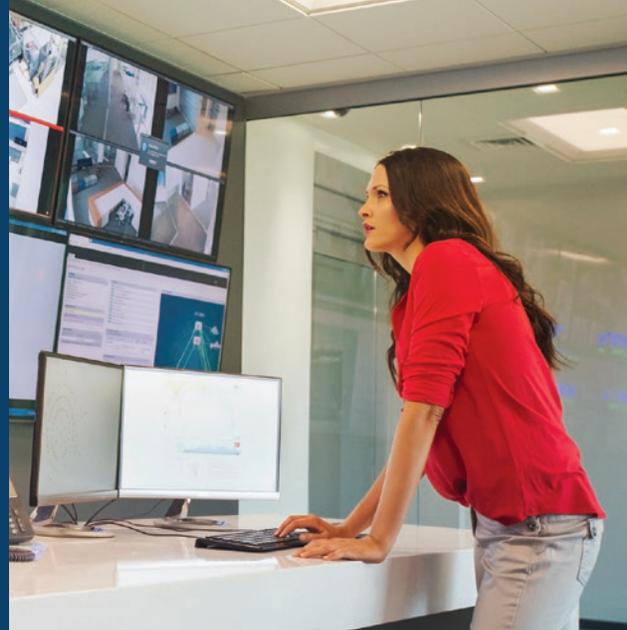
In order to reduce our exposure to risk, our Compliance, Legal & Risk department, along with our Finance department, routinely reviews our counter-party risk and third parties with which we do business. This process includes extensive research, due diligence, financial analysis, and forward-looking measures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

In addition, our Enterprise Risk Management department partners with Internal Audit and business units across LPL to manage the firm's risk. In addition to periodically facilitating risk and control self-assessments, they also work closely with the business units to gather risk and performance metrics that inform the quarterly Enterprise Risk Profile report presented to senior/ executive management, the Risk Oversight Committee and the board of directors.

Our Whistleblower Program

To ensure that we have appropriate ways of communicating unethical behavior, LPL instituted a Whistleblower Program. 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 the Whistleblower Program. Our Special Investigations Unit, which is part of our Legal team, investigates whistleblower activity.



Operating with Integrity

Anti-Corruption Practices and Compliance Training

Our Compliance team provides oversight of regulatory and monitoring requirements, and works closely with our advisors to help them run compliant practices. In addition, LPL custodies and clears the majority of our customers' transactions, providing an enhanced customer experience and expedited processing capabilities — all backed by a robust and responsive service center and an operations organization focused on providing timely, accurate, and consistent support.

To ensure that we remain proactive in these efforts, we invest in technology and infrastructure that supports compliance and risk management, including transaction monitoring and customer due diligence. Our compliance framework also includes robust training for all appropriate personnel to prevent bribery, corruption and other forms of

financial crime. We have designed and implemented an anti-corruption policy that is appropriate for our business and locations, which are all domestic. We also review our controls annually, which includes aspects of fraud review, and report on our highest risks and any material findings to the Audit Committee of 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.

In 2018, 99%* of 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. For more information on our employee training programs, please see page 15.

In addition, our advisors must also 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

*The 1% not covered in this training are currently on active leave (i.e., long term disability/FMLA).

Cybersecurity & Data Privacy

Cybersecurity issues are very significant in the financial industry and continue to be a concern for advisors and investors. As our interconnected world continues to evolve, so do malicious cybercriminals, who target the systems and devices used to provide confidential financial advice. As these criminals and their tactics evolve, so must the experienced professionals who strive to protect sensitive information.

To protect the confidentiality of information entrusted to us, we

employ extensive physical, technical, and procedural security controls at all of 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.

We understand that the protection and privacy of advisor and client information are critical to a strong reputation and continued business success. To safeguard this data, we

implemented an industry-standard information security program with experienced professionals who strive to protect the integrity of our systems and applications. Our cybersecurity team has grown more than 300% in the last three years, and their primary focus is ensuring the right controls are in place to keep information safe and secure.



LPL Security and Network Operations Center

In 2019, LPL unveiled a state-of-the-art Security and Network Operations Center, housing the dedicated individuals who defend against threats to advisors, clients, and employees every day. The new facility provides cutting edge technologies with the space and tools to enable these cybersecurity professionals to keep data safe and secure.

In addition to device and technology improvements, the new Security and Network Operations Center includes a forensics lab and a war room, which is used to investigate the most serious incidents.

With this new facility, our team is prepared to continue to protect our advisors, investors, and employees from cyber threats.

Consumer & Advisory 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
- Strong 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
- State-of-the-art technologies to prevent unauthorized access to networks, systems and 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

We have the right tools in place to help ensure the safety and security of our data. We are at or above the industry standard in these areas.

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. For example, our Government Relations team proactively engaged with policy makers to help develop and pass the Senior Safe Act, which requires financial services companies to train employees to detect and report evidence of potential financial abuse of older Americans.

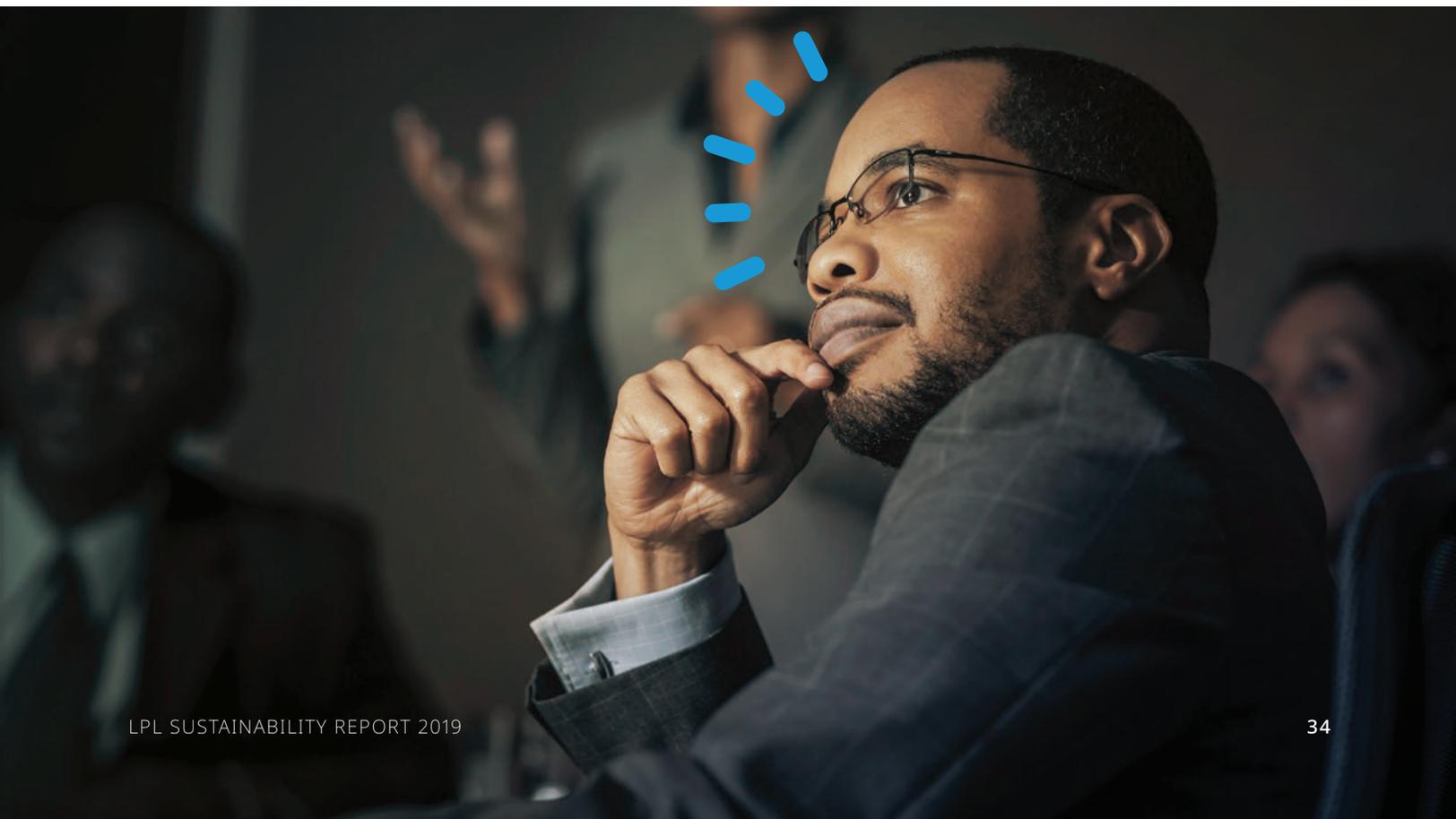
The Government Relations team also paved the way for us to support discussions regarding the recently finalized SEC Regulation Best Interest (Reg BI) promulgated by the Securities and Exchange Commission, which will enhance the standard of care for broker-dealers and requires

firms to act in a client's best interest. LPL has long supported regulations requiring that investment advice and recommendations be in the investor's best interest. We believe Reg BI to be a positive outcome, creating a well-articulated federal standard that preserves investor choice and access to a wide range of investment and financial services. While we diligently prepare for the new requirements by the June 30, 2020 deadline, we will continue to urge the states to align their proposals with Reg BI so consumers and the industry have clarity.

Key Government Relations and company-wide advocacy priorities in 2018, which were centered on actions that highlight our values and priorities as a firm, included:

- Promoting a harmonized best interest standard of care that ensures affordable access to financial guidance and advice

- Advocating for policies to promote senior investor protection
- Preserving and enhancing incentives for retirement savings
- Advocating for tax policies that support our independent contractor model
- Promoting thoughtful data security and privacy legislation





Operating with Integrity

Responsible Sourcing

Ethical and responsible business practices are foundational to our commitment to conduct business with integrity. This commitment extends beyond our engagements with our advisors and employees to our relationships with the providers of products and services that we use in our business. 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.

We also consider the diversity of the suppliers we work with, and in 2018 we began looking at existing contracts to understand our vendor profile and identify diverse vendor sourcing. To spearhead these efforts, we are in the beginning stages of developing a reporting tool that allows us to explore supplier diversity. In addition, we recently adapted our procurement intake form so that it flags any diverse suppliers for new contracts. Our internal procurement team leads these initiatives, and that team has experience in supplier diversity and sustainable supply chain assessments.

We screen our suppliers to ensure that their practices are consistent with our values and expectations.

Security in Action

To assist our advisors with their compliance with the New York Department of Financial Services Regulation 187, which requires insurers to establish new standards and procedures for how agents and brokers make insurance and annuity product recommendations, LPL has developed standard templates for support:

Written Information Security Plan

The Written Information Security Plan is designed to help advisors implement and maintain written plans outlining their office's procedures to safeguard personal, proprietary, and sensitive company information.

Information Security Standards and Cybersecurity Assessment Tool Framework

The LPL Information Security Standards and Cybersecurity Assessment Tool Framework provides a guide to assist in designing advisors' cybersecurity program. Advisors are encouraged to utilize this tool in assessing the risks to their Information technology systems and the data they process.



Supporting the Communities Where We Operate

We recognize the impact our business has beyond our bottom line, and as a result, we strive to consider the upstream and downstream implications of running our business — including impacts on the communities and environment in which we operate. For example, the benefits LPL brings to the communities where we are located go beyond the economic impact of the jobs we create and the goods and services we use. Through support from the LPL Financial Foundation, LPL's charitable arm, and the volunteer hours donated by employees and advisors, LPL works

to foster economic empowerment through three core areas:

- **Education to Empower Youth:** Our efforts include mentoring underserved youth, providing resources for student success, and supporting educational guidance to help students stay in school and graduate.
- **Career Skill Cultivation:** Economic empowerment begins with the ability to obtain and sustain employment. To help the unemployed and underemployed achieve job readiness, we offer programs that teach productive job search techniques. These

efforts include conducting practice interviews, teaching effective resume writing and networking skills, and fostering professional development.

- **Financial Literacy:** LPL supports initiatives that help individuals manage their personal financial resources, including those that enhance familiarity and comfort with fundamental skills, such as setting financial goals, budgeting, and managing funds.

We are committed to improving peoples' lives, and, in the process, enriching the lives of our employees and advisors as well.

Our Community Involvement over Time

Since the company was founded, LPL has supported the communities in which we operate. In 2011, LPL established the LPL Financial Foundation, which brought about more focus and guidelines for giving back. Organizations we have supported since 2011 include Big Brothers Big Sisters, Junior Achievement, California State University San Marcos, and Boys & Girls Club.

Corporate Giving Through the LPL Financial Foundation

Our efforts to support the communities in which we operate includes helping underserved individuals become economically empowered so they are prepared to pursue their own personal aspirations. It's our way of helping to strengthen our local communities and our society as a whole. The LPL Financial Foundation provides grants and volunteer support to mission-aligned organizations to help them fulfill their goals.

The LPL Financial Foundation targets organizations in Boston, the Carolinas, and San Diego that are recognized for their ability to achieve impact in our three core focus areas. Every year, we invite our local partners to apply for grants. Our Grant Review Committee makes recommendations for grant approvals and the Foundation Board votes on the recommendations submitted by the committee. For the national organizations, we have sourced potential partners who are able to execute on providing volunteer opportunities for

advisors and employees to bolster underserved students' college and career readiness.

The LPL Financial Foundation offers numerous programs to make it easy for employees and advisors to participate in supporting communities and expand the reach of their efforts. This includes a matching gift program for our employees and advisors, which offers up to \$500 annually in a dollar-for-dollar match. This program funded over \$500,000 in 2018 to support organizations across the country that are important to our employees and advisors. In addition, the LPL Financial Foundation also provides renewable scholarships to college-bound children of our employees and our advisors.



LPL Financial is a leader for Communities in Schools in exchanging social capital with our students and promoting career and college readiness. We are grateful!"

Sarah Shifflet Communities in Schools

2018 LPL Partner Organizations

- Big Brothers Big Sisters (San Diego, Carolinas, Boston)
- Boys & Girls Club (Carolinas)
- Cal State San Marcos (San Diego)
- City Year (Boston)
- Communities in Schools (Carolinas)
- Crossroads (Boston)
- Dress for Success (Carolinas)
- Johnson C. Smith University (Carolinas)
- Junior Achievement (San Diego, Carolinas)
- Preuss School (San Diego)
- Rock the Street, Wall Street (San Diego, Carolinas)
- Second Chance (San Diego)
- Strive for College (National)

Employee Volunteerism

Our employees and advisors also share their time and talents to build the capacity of these partner organizations. 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.

The College and Career Readiness Initiative

LPL's College and Career Readiness Initiative brings LPL advisors, employees, and community partners together to increase access to college and career preparatory activities that encourage underserved students to pursue post-high school education and skill development. The program provides students with mentoring, skill-building development, and financial literacy education to guide them toward a future of economic empowerment and professional success.

The Employee Volunteer Corps

A team of employees is selected each year to champion volunteer efforts on behalf of LPL in their local communities. Members coordinate and promote volunteer events and recruit volunteers for activities, such as teaching financial literacy, collecting and distributing school supplies, and hosting career exploration seminars.

Focus Conference Advisor Volunteer Event

Every year at LPL's national Focus conference for advisors, LPL partners with local nonprofit organizations to host a volunteer event for advisors,

employees, LPL Financial Foundation board members, and guests. The 2018 events involved mentoring underserved youth and teaching financial literacy and leadership skills to help them become the leaders of tomorrow.

May Serve Days

Each year during the month of May, the LPL Financial Foundation hosts a variety of volunteer activities to support various organizations. Hundreds of employees throughout the organization participate in a wide array of activities, ranging from financial education seminars and clothing drives to community clean-up events and mentoring programs.

The LPL Employee Volunteer Center

We provide resources to connect employees with volunteer opportunities in their communities, as well as tools for creating and sharing volunteer activities with organizations that are meaningful to them.

In 2018, 22% of our employees utilized the Volunteer Time Off benefit to volunteer within our local communities. We are proud of the time our employees dedicate to supporting local communities and assisting people in gaining the knowledge and resources to pursue financial security.

Employee Volunteerism in Action

More than 1,300 employees recorded over 11,150 hours of volunteer time in 2018.



Environmental Sustainability and Stewardship

We recognize that environmental issues, including climate change, can impact our business, our advisors, and the communities in which we operate, and that it is our responsibility to address and act upon these issues. We also understand that our work impacts the world around us beyond day-to-day transactions with our advisors and their clients. It is our belief that balancing business priorities with environmental issues is not only good for the planet, but also sound risk management. As a result, we integrate environmental initiatives throughout our facilities and operations to reduce our impact on the environment. We continue to identify new ways to grow our environmental stewardship practices.

Climate Resiliency

As part of our assessment of material environmental and social issues, we considered the degree to which external environmental factors — including extreme weather events and natural disasters — impact our business. From this process, climate resiliency was identified as a material topic as it presents both market opportunities, which we address in our ESG section, as well as financial and infrastructure risks. As a result, we have begun managing our direct impact on the environment, particularly through our energy use and carbon emissions from business operations.

In order to ensure the safety of our employees and advisors as well as

the continuity of our business in the event of an emergency, LPL has developed an emergency notification tool, LPL Alert. LPL Alert allows quick communications to LPL employees and advisors via phone, email, and text messaging. The tool also allows LPL to monitor weather and natural events in real time to determine how many employees, advisors, and institutions are in an impacted area, and offer them appropriate assistance and resources.

Our Footprint

As part of our efforts to reduce our environmental impact, we focus on our buildings' performance. Many of our buildings are U.S. Green Building Council (USGBC) LEED-certified, and all recently constructed and renovated buildings were built with environmental efficiencies wherever

possible, including our energy use, water use, and waste disposal processes. Currently, our Fort Mill office is USGBC LEED Gold-certified, and our San Diego and Boston offices are USGBC LEED Platinum-certified. We will use 2018 as our baseline for environmental information and will provide comparable data in future reports.

We began tracking our environmental metrics in 2018 and are continuing to put into place data collection processes. We will work on collecting additional 2018 information together with 2019 data and intend to publish our carbon footprint in our report next year. Moving forward, we will continue to assess our footprint and look for opportunities to reduce our emissions and impact.

In 2018, we utilized 9,250,256 kWh of electricity across our offices. In addition to tracking our electricity purchased, we utilize natural gas, district cooling, and renewable energy generated on-site. For example, our San Diego campus generated 4,140,852 kWh of renewable energy in 2018. In addition, aiding our energy efficiency is our use of LED lighting. Our Advanced Building Automation and Lighting Control Systems in San Diego and the Fort Mill campuses consist of 5,790 LED lights and 4,924 LED lights, respectively. These result in over \$19,000 of energy savings per month for LPL. In addition, 75% of the

electricity consumed at the San Diego Tower is produced by on-site fuel cells.

We keep tabs on our water use to reduce the water we consume. In 2018, we withdrew about 6,532,289 gallons of water and consumed 1,197,583 gallons in our Fort Mill and San Diego offices. However, we also collect rainwater to reduce our use of municipal water. As a result of this initiative, our Fort Mill campus has collected more than 18,000,000 gallons of rainwater each year.

We manage the waste we produce and recycle as much as possible. Recycling and composting stations are located throughout our LEED-certified Fort Mill campus, and our LEED-certified San Diego facility employs single-stream waste management. We also composted more than 51 tons of food waste and repurposed three tons of coffee packets.

Going Paperless

As part of our effort to manage our waste production, we have committed to reducing our paper consumption. Historically, we have utilized a significant amount of paper for statements sent to clients.

In 2018, we began our commitment to making it easier for our advisors and their clients to go paperless. As a financial firm, we believe this is one of the biggest impacts we can have on

our environmental footprint. In 2019, we began piloting our new electronic processes that will aid in significantly reducing our use of paper. Some components of our paperless strategy include:

- Making it easy to go paperless through consolidating election options into a one-click process
- A reduction, and in some cases elimination, of shareholder communications mail
- eDelivery for all available paper streams

In addition, we continue to explore how we produce and use paper in our corporate offices. We are piloting an effort to become 100% paperless in our payroll department. Once fully implemented, we estimate a reduction of 20,800-26,000 sheets of paper per year.

We aim to develop specific criteria and indicators to measure our progress against our commitment and will disclose progress in our next report.

Water Consumption

In 2018, we withdrew about 6,532,289 gallons of water and consumed 1,197,583 gallons in our Fort Mill and San Diego offices. However, we also collect rainwater to reduce our use of municipal water. As a result of this initiative, our Fort Mill campus has collected more than 18,000,000 gallons of rainwater each year

Water-Consumption Reduction Initiatives

In order to reduce the water LPL uses in its day-to-day operations, our office buildings host water-saving aerators in faucets and one-pint urinals and one-gallon toilets for flushing, and use reclaimed water for landscaping, cooling towers, and toilets.

LPL ENVIRONMENTAL FOOTPRINT KPIS

Electricity Utilized

BOSTON	222,268 kWh
SAN DIEGO	1,668,000 kWh
FORT MILL	7,359,988 kWh
COMPANY TOTAL	9,250,256 kWh

Renewable Energy Generated

SAN DIEGO	4,140,852 kWh
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Water	Water Withdrawn	Water Consumed
SAN DIEGO	3,143,096 GALLONS	1,039,333 GALLONS
FORT MILL	3,389,193 GALLONS	158,250 GALLONS

Environmental Sustainability and Stewardship

Employee Participation in Environmental Initiatives

As part of our effort to increase environmental initiatives at LPL, we established a Sustainability Employee Action Committee that promotes participation among employees in sustainability practices. Committee members host events and activities around sustainability education, and they conduct environmental impact reduction outreach, well-being activities, and gardening programs at our Community Gardens on our Fort Mill campus.

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

Earth Day at LPL

The Sustainability Employee Action Committee hosts annual Earth Day celebration events across our offices in Boston, Fort Mill, and San Diego. In 2018, our Earth Day theme was “End Plastic Pollution,” and events ranged from educational activities to recycling drives for batteries, paper, gently used books, and used toner, among other initiatives.

Carbon Emissions Reduction Initiatives

As part of our efforts to reduce the emissions we produce, we consider ways we can help our employees reduce their carbon emissions from commuting. For example, our Fort Mill campus hosts a bike-share program and low-emission parking spaces, and our San Diego campus has low-emission parking spaces,

a bus stop, car pool spaces, and scooters for our employees' use.

To support carbon emission sequestration, our Fort Mill campus has 10 acres of tree preservation space. Trails throughout this space provide our employees the opportunity to take a walking break during work.

LPL Sustainability Report 2019

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 16,000 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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