

Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc

Responsible Business Committee Terms of Reference

1. Purpose

The purpose of each Responsible Business Committee is to:

- provide oversight of and support for Lloyds Banking Group's strategy and plans for delivering the Company's aspirations to become a truly purpose-driven organisation;
- provide oversight and challenge of those activities which impact the Group's behaviour and reputation;
- consider in detail and recommend to the Board for approval Group's reporting relating to purpose and ESG matters; accepting that elements of "G" within ESG are the domain of the Nomination and Governance Committee;
- report to the Board on the matters for which the Committee is responsible, escalating issues and making recommendations to the Board where appropriate to do so.

2. Aligned Board Model

The Responsible Business Committees of Lloyds Banking Group plc, Lloyds Bank plc and Bank of Scotland plc (and, to the extent relevant, HBOS plc) operate an aligned board model. This includes aligned meetings for the Responsible Business Committees of each entity, where meeting agendas clearly identify which items concern which entity.

3. Entities to which these terms of reference apply

These terms of reference apply to each of Lloyds Banking Group plc, Lloyds Bank plc and Bank of Scotland plc (and, to the extent relevant, HBOS plc). HBOS plc will have a Responsible Business Committee only insofar as considered necessary for legal or regulatory purposes or if otherwise decided by the Board to be appropriate.

4. Defined terms

Definitions used in these terms of reference are those adopted in the Corporate Governance Framework Board Authorities. In these terms of reference:

- the "Committee" means each Responsible Business Committee; and
- the "Company" in the context of Lloyds Banking Group plc only should be read as meaning "Lloyds Banking Group plc and its subsidiaries and associates from time to time."

(Other than as specifically defined above, the following defined terms as set out in the Corporate Governance Framework Board Authorities document are applicable: the "Company" means each of Lloyds Banking Group plc, or where the context needs, Lloyds Bank plc, Bank of Scotland plc and HBOS plc as appropriate; the "Group" means Lloyds Banking Group plc and its subsidiaries and associates from time to time; and the "Banks" means Lloyds Bank plc and Bank of Scotland plc.)

5. Authority

Each Committee has been established by its Board and is authorised to:

- 1 investigate any matter within these terms of reference;
- 2 have such direct access to the resources of the Group as it may reasonably require;
- 3 seek any information that it requires from any employee (and all employees are directed to cooperate with any request made by the Committee);
- 4 secure the attendance of any employee, or third parties with relevant experience and expertise, at meetings of the Committee if it considers this necessary;
- 5 engage outside legal or other independent professional advisers and access appropriate funding for the payment of relevant fees and expenses;

- 6 obtain assurances and, when appropriate reports, from the boards of subsidiary companies which have appointed separate responsible business committees; and
- 7 delegate any of its responsibilities to any person, including any of its members, or to one or more sub-committees which are to report back to the Committee.

Each Committee shall work and liaise as necessary with all other Committees of its Board, and periodically review interactions between its Board and the other Committees.

6. Responsibilities

The responsibilities of each Committee will be to:

A. Purpose Activation

- 1 Review and oversee the programme of work targeted at taking actions to embed purpose across the Group and its operations, example of topics include, but are not limited to:
 - a. How purpose is increasingly embedded in the Group's decision-making;
 - b. Role of consumer brands in activating the Group's purpose; and
 - c. Colleague engagement and communications.

B. Purpose in Business Strategies

- 1 Agree and oversee delivery of high impact, purpose-driven activity embedded in business strategies and owned by the business units. Conduct deep dives into current priority areas and escalate for review and discussion to the Board for approval as appropriate. Priority areas may include, but are not limited to:
 - a. Access to housing;
 - b. Regional development;
 - c. Inclusion and diversity leadership for colleagues, customers and communities (including Inclusion & Diversity strategy, financial and customer inclusion, digital inclusion); and
 - d. Green built environment.

C. Social and Environmental Matters

- 1 Review and oversee other important social and environmental matters that demonstrate how the Group is building an inclusive and sustainable future, relevant to customer, colleague and community activity and enabling operations across the Group. Make recommendations to the Board for approval as appropriate on topics including, but not limited to:
 - a. Social strategies i.e. human rights, modern slavery, code of ethics & responsibility, community engagement; and
 - b. The Group's broader Environmental Sustainability activity, including the Group's approach to responding to global issues of environmental sustainability and development of the Group's future strategy on bio-diversity,
2. Review and approve how the Group provides external updates on its progress delivering against its purpose, climate ambitions and its responsible business operations (e.g. ESG reporting, Annual Report and Accounts), while recognising that external reporting is separately considered through the Group Audit Committee.

D. Culture and Workforce Engagement

- 1 Review the development and promotion of the Company's culture, supporting and driving its ambition to become a truly purpose-driven organisation and review the effectiveness of workforce engagement mechanisms that include:
 - a. ensuring that workforce policies and practices are consistent with the Company's values and people strategy and support its long-term sustainable success;
 - b. ensuring that the workforce is enabled to raise any matters of concern, while recognising that "SpeakUp" is separately considered through the Group Audit Committee;
 - c. reviewing the workforce feedback on engagement and culture;
 - d. overseeing the culture change plan and colleague wellbeing activity; and
 - e. overseeing the development of new ways of working.
- 2 Report on at least an annual basis to the Board on engagement activity undertaken and key themes / issues raised and make recommendations to the Board as appropriate on the above.

E. Duty to Customers and Stakeholders

- 1 Review the Group's response to key consumer and other relevant stakeholder-related regulation, including emerging and upcoming themes, and challenge the Group's approach.
- 2 Oversee Consumer Duty work and make recommendations to the Board in relation to plans, their rollout and the monitoring of performance.

F. Emerging Issues

- 1 Direct and oversee discussion on emerging and horizon issues which impact delivery of Group's strategy and purpose; and invite external perspective to better understand and take into account development of external best practice in Responsible Business.

G. Other matters

1. Give due consideration to all relevant laws and regulations, including the provisions of the UK Corporate Governance Code and associated guidance and best practice, the FCA and PRA rules and guidance
2. Work and liaise as necessary with the Board and all other of the Company's Board Committees ensuring such interaction is reviewed regularly, taking account of the impact of risk management and internal controls being delegated to committees.

7. Membership

A. Members

- 1 At all times each Committee shall comprise at least three members. All members of each Committee must be independent Non-Executive Directors (within the meaning of the UK Corporate Governance Code) including either the Group Chair or Deputy Chair.
- 2 Members of each Committee shall be appointed by its Board on the recommendation of its Company's Nomination and Governance Committee, in consultation with the Chair of the Responsible Business Committee.
- 3 Appointments to each Committee shall be for a period of up to three years, which may be extended for two further three-year periods provided that the director still meets the criteria for membership of the Committee.
- 4 Members of each Committee shall be provided with appropriate and timely training coordinated by Group Secretariat, both in the form of an induction programme for new members and on an ongoing basis for all members.

B. The Chair

- 1 The Chair of each Committee shall be appointed by its Board on the recommendation of its Board's Nomination and Governance Committee. The Chair role will be held by the Chair of the Lloyds Banking Group plc Responsible Business Committee.
- 2 In the Chair's temporary absence, one of the other members of the Lloyds Banking Group plc Committee nominated by the Chair in advance or elected by the other members of that Committee will act as Chair.
- 3 The Chair's primary responsibility is chairing and overseeing the performance of the role of the Committee.
- 4 The Chair's other responsibilities in respect of the Committee include:
 - a. ensuring that the Committee meets with suitable frequency;
 - b. fostering an open, inclusive discussion which challenges executives, where appropriate;
 - c. ensuring that the Committee devotes enough time and attention to the matters within its remit;
 - d. helping to ensure that the Committee and its members have the information necessary to discharge its and their duties and tasks;
 - e. reporting to the Board on the Committee's activities;
 - f. facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
 - g. safeguarding the independence and overseeing the performance of the Committee;
 - h. ensuring that the regulatory requirements in relation to the Committee are satisfied; and
 - i. engaging with stakeholders, including the PRA, FCA and principal shareholders, on behalf of the Committee.
- 5 The Chair will be available, wherever possible, at the Group's AGM.

C. Quorum, Voting and Written Resolutions

- 1 The quorum for meetings of each Committee will be any three members.
- 2 If a quorum of members is not available for a particular meeting, a majority of the members present may co-opt any independent Non-Executive Director of its Company to that Committee for that meeting, if necessary, to constitute a quorum.
- 3 Voting at meetings and the adoption of any written resolutions shall be in accordance with the procedures set out in the Company's Articles of Association.

D. Attendees

- 1 Only members of each Committee have a right to attend meetings of that Committee.

- 2 Each Committee may invite such non-Member attendees as it deems necessary to fulfil its responsibilities. The Group Chief Executive Officer (or their delegated nominee) will normally attend meetings.

8. Committee management

A. Secretary

- 1 The secretary to each Committee shall be the Company Secretary or their nominee.

B. Frequency

- 1 Each Committee shall meet as often as is necessary to fulfil its responsibilities, and not less than four times a year.

C. Notice, agenda and papers

- 1 The secretary to the Committee shall call meetings of the Committee at the request of any of:
 - a. the Chair of the Committee;
 - b. any member of the Committee.
- 2 Group Secretariat shall circulate notice of the meeting (confirming date, time and venue), the agenda and papers to all members of the Committee electronically at least four working days before the meeting (or such shorter period as may be agreed by the Chair of the Committee) to enable full and proper consideration of the relevant issues.

D. Minutes and Record of Membership

- 1 The secretary to each Committee shall minute the proceedings of all meetings, including recording the names of those present and in attendance. In light of the Aligned Board Model, the minutes of the meetings of the various Committees will be produced as a composite document but will identify the Committee(s) by which any issue has been considered, so as to make clear the Company to which such issue relates and also identify any potential RFB Conflict Matter and any action taken or to be taken in relation to such potential RFB Conflict Matter.
- 2 The secretary to each Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 3 The secretary to each Committee shall circulate minutes of meetings promptly to the Chair for approval in principle and, following confirmation of such approval, shall in due course circulate such minutes to all members of the Committee as part of the materials for the Committee's next meeting.
- 4 The secretary to each Committee shall keep a record of the membership, and the dates of any changes in such membership, of the Committee.

E. Review

- 1 Each Committee shall review at least annually these terms of reference and propose any amendments it deems necessary or desirable to its Board for approval.
- 2 Each Committee shall review at least annually its performance and effectiveness (and shall be subject to review by its Board's Nomination and Governance Committee) and shall propose any recommendations it deems necessary or desirable to its Board for approval.

These terms of reference became effective as of 12 April 2023.