

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

Remuneration Committee Terms of Reference

1. Purpose

The purpose of each Remuneration Committee is to:

- 1 review and approve, the remuneration policy and framework for the Directors of the Group (the Directors' Remuneration Policy) and the overall remuneration policy and philosophy of the Group and the Bank (the Group Remuneration Policy);
- 2 oversee the implementation of Directors' Remuneration Policy and the Group Remuneration Policy and satisfy itself that both are aligned to the Group's strategy, purpose and values and promote the long-term sustainable success, risk appetite, the long-term interests of the Group and its relevant stakeholders and incentivise appropriate behaviours; and
- 3 perform such other duties as may be prescribed by the regulators.

Each Committee shall report to its Board on its activities.

2. Aligned Board Model and Authority

The Remuneration Committees of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc operate an Aligned Board Model and have been established by each entity's Board. This includes aligned meetings for the Remuneration Committee of each entity, where meeting agendas clearly identify which items concern which entity.

- The [Group Remuneration Committee](#) has been established by the Board of Lloyds Banking Group plc to comply with the UK Corporate Governance Code. Its authority extends to all relevant matters relating to Lloyds Banking Group plc and its direct and indirect subsidiaries, save in respect of any RFB Conflict Matters and / or to the extent that matters fall within the remit of any remuneration committees of such subsidiaries.
- The [Banks' Remuneration Committees](#) are of Lloyds Bank plc and Bank of Scotland plc and have been established by their Boards to fulfil the requirements of a regulated, Ring-Fenced Bank.
- [HBOS plc Remuneration Committee](#) will hold meetings only insofar as considered necessary for legal or regulatory purposes, as an employing entity or as otherwise deemed appropriate.

The Committee has been established by its Board and has the authorities set out in the [Schedule of Authorities, Delegations and Standards](#).

The Committee is authorised to investigate any activity within the Committee's terms of reference; have such direct access to the resources of the Group as it may reasonably require; seek any information that it requires from any colleague (and all colleagues are directed to cooperate with any request made by the Committee); secure the attendance of any colleague, or third parties with relevant experience and expertise, at meetings of the Committee if it considers this necessary; engage outside legal or other independent professional advisers and access appropriate funding for the payment of relevant fees and expenses; and delegate all or 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.

3. Defined terms

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

- the "Committee" means each Remuneration Committee;
- the "Banks" means Lloyds Bank plc and Bank of Scotland plc;
- the "Bank Remuneration Committee" means the remuneration committee of Lloyds Bank plc or Bank of Scotland plc, as applicable;
- a "colleague" means an employee of the Group or the Bank, as the context may require or admit, a member of the wider workforce, being those individuals who work for, or provide services to, the Group or the Bank, as the context may require or admit, but who are not employees or directors of the Group or the Bank, as the context may require;
- the "Group" means Lloyds Banking Group plc and its subsidiary undertakings from time to time;
- the "Group Committee" means the Remuneration Committee of the Lloyds Banking Group plc and its subsidiaries; and associates from time to time;
- the "Banks' Remuneration Committees" means the Remuneration Committees of each of Lloyds Bank plc and Bank of Scotland plc; and

- “RFB Conflict Matter” means any matter or decision where the interests of the Banks conflict or may conflict with any other member of the Group (other than any other member of the Banks’ Group) or the Group in any way that could adversely affect:
 - the financial or non-financial resources of the Banks in a material way;
 - the sustainability of the Banks’ business model;
 - the continuous provision in the United Kingdom of core services as defined in section 142C of FSMA; or
 - the ability of the Banks to meet any ring-fencing provision as defined in section 142A(5) of FSMA.

4. Responsibilities of the Committee

A. Set the remuneration policies

- 1 Review and approve the Directors’ Remuneration Policy, the Group Remuneration Policy and other remuneration policies as necessary, taking into account alignment and ensuring that such policies are consistent, and do not undermine the ability to comply, with:
 - a. the long-term business strategy, objectives and interests of the Group (including the Banks), stakeholders, including shareholders, investors and colleagues;
 - b. the Group’s purpose, values and culture;
 - c. risk appetite and the need to promote sound and effective risk management so as not to encourage undue risk taking;
 - d. the incentivisation of appropriate behaviours, and as appropriate reviewing policies and hiring arrangements from a fraud risk and prevention perspective and findings from any relevant internal investigations into control weaknesses or fraud; and
 - e. applicable regulation, legislation, codes of conduct and good remuneration practice. Ensuring that policies, practices and procedures and all remuneration arrangements comply with all relevant requirements and remuneration trends for all colleagues

Alignment between the policies must also be considered.

- 2 Oversee the development of a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.
- 3 Review, approve and implement mechanisms for malus and clawback, including as applicable to Directors contracts and or/other agreements or documents which cover director remuneration, ensuring that the Committee retains full discretion to introduce additional criteria where appropriate. Ensure that compensation commitments in Directors’ terms of appointment do not reward poor performance and are robust in reducing compensation to reflect departing Directors’ obligations to mitigate loss.
- 4 Review and approve the remuneration of Executive Directors, the Chair, Senior Management (being the first layer of management below the Board, including the Company Secretary). Executive remuneration should be clearly linked to the successful delivery of the long-term strategy.
- 5 Ensure that the remuneration of Non-Executive Directors is determined in accordance with the Articles of Association or, alternatively by the Board, and does not include share options or other performance-related elements.
- 6 The Committee shall recognise and manage potential conflicts of interests as part of reviewing any remuneration policies and ensure that no Director or Senior Management is involved in any decisions as to their own remuneration.

B. Monitor the remuneration policies

- 1 At least annually, review the report from the Chief People and Places Officer on the operation of the Group Remuneration Policy, its effectiveness and management’s engagement with colleagues to ensure they receive adequate information to understand the requirements of the Group Remuneration Policy, its alignment with the Directors’ Remuneration Policy and the performance assessment process and any regulatory requirements which apply to them.
- 2 Monitor the application of the authority delegated to the Group Chief Executive to ensure that the policies and principles are being consistently and effectively applied, seeking support and input from the People & Places function and Risk function as appropriate.
- 3 At least annually ensure that the implementation of the Directors’ Remuneration Policy and the Group Remuneration Policy are subject to central and independent internal review for compliance.
- 4 Ensure that remuneration schemes promote long-term shareholdings by Executive Directors and align with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more.
- 5 Periodically review the Deferral and Performance Adjustment policy, including malus and clawback provisions that would enable the recovery and / or withholding of sums or share awards and specifying the circumstances in which it would be appropriate to do so.
- 6 Liaise as needed with other Board Committees as appropriate, including:
 - a. the Board Risk Committee and Risk function to evaluate the incentives created by the Group’s remuneration system, to assess the risks arising from the Group’s remuneration policies for the purposes of the Internal Capital Adequacy Assessment Process and as required to validate and assess risk-adjusting techniques (including malus and clawback). As part of this, the Committee should ensure that it receives a report from the Chief Risk Officer on the implications of the Directors’ Remuneration Policy and the Group Remuneration Policy for risk and risk management at least annually.

- b. consult the Audit Committee on suitable performance measures and the Nomination and Governance Committee on pay gaps and pay ratios.

- 7 Oversee the monitoring of the Group's employee share schemes in operation, the administration of such schemes and the application of the authority delegated to the Group Total Reward Director and/or the use of the Power of Attorney granted to the Chief People and Places Officer in respect of the administration of such schemes. Approve any non-material amendments to such schemes proposed by the Group Total Reward Director and/or the Chief People and Places Officer in the case of participation by the Executive Directors in such schemes.
- 8 Recommend any new schemes or material amendments to existing schemes to the Board for approval.
- 9 Approve the Group Shareholding Policy and / or any amendments from time to time.
- 10 Ensure that notice or contract periods should be one year or less or, if it is necessary to offer longer periods to new Directors recruited from outside the Company, such periods should reduce to one year or less after the initial period.

C. Report and disclosure

Reviewing any matters relating to remuneration that need to be reported to the Board, shareholders, regulators, including the review and approval of:

- a. the Directors' Remuneration Report or other relevant disclosures in the annual report and accounts for approval by the Board as a whole taking into account any feedback received from stakeholders in relation to previous disclosures and ensuring that the rationale explains the Committee's decisions and choices;
- b. as applicable, the contents of the annual Remuneration Policy Statement;
- c. as applicable, remuneration-related shareholder resolutions to the Board; and
- d. pay ratios and pay gap disclosures, as applicable.

D. Oversight of decisions regarding the remuneration of Directors and the Group Executive Committee

- 1 Approve the fees payable to the Chair.
- 2 Approve the Company's policy on, and approve, the contracts of employment, the terms of service and the pensions (considering pension provisions available to colleagues and the individual pension impact and associated costs of salary increases) of the Executive Directors and Group Executive Committee members and standing attendees (including the Company Secretary).
- 3 Approve the policy for authorising claims for expenses incurred by the Group Chief Executive and the Company Chair, considering expenses provisions available to colleagues.

E. Oversight of decisions regarding the remuneration of Executive Directors, Group Executive Committee, High Earners, Senior Management Functions, Risk and Audit Functions and Specific Remuneration Arrangements

- 1 Approve (for the Group and the Bank(s)), as applicable, the matters set out in sub-paragraphs 1 to 4 below (within the terms of the current Directors' Remuneration Policy and/or Group Remuneration Policy, as applicable) in respect of the following individuals:
 - a. each Group Executive Committee member and attendee, including the Executive Directors and the Company Secretary, and as appropriate, approval in respect of individuals who hold such executive roles within the Bank(s);
 - b. individuals whose Total Compensation (defined as base salary, fixed benefits, bonus, fixed share awards, role-based allowances, Group Performance Share awards, Long Term Share Awards and Long-Term Incentive Awards) is equal to or exceeds £1.5m per annum (High Earners), including individuals who are considered to be Material Risk Takers within the Bank(s);
 - c. any colleagues performing a senior management function (under SMCR) in relation to either or both of the Banks or any other Capital Requirements Directive V regulated Group Legal Entity; and
 - d. (i) the Group Chief Risk Officer and Group Chief Internal Auditor and persons reporting directly, whether wholly or partly, to them, considering any recommendations from the Chair of the Board Risk Committee (as to the Group Chief Risk Officer and any persons reporting directly, whether wholly or partly, to them) and the Chair of the Audit Committee (as to the Group Chief Internal Auditor and any persons reporting directly to them) in relation to their performance and the outcome of any remuneration risk adjustment for such persons; and (ii) in respect of such individuals performing such role who work (exclusively or predominantly) within such Bank, recommending such matters to the relevant Bank Remuneration Committee for approval and noting that the RFB-Designated NEDs have a right of veto in respect of the remuneration of the Risk Officer for each of the Banks.
- 2 The performance assessments and all aspects of remuneration (including the terms of employment and any other commitments to be made on retirement, resignation or dismissal to ensure fairness, avoid reward for failure and recognise the duty to mitigate loss).
- 3 The design of and targets for any annual performance-related variable remuneration plans (including the ability to override formulaic outcomes), the review of individuals' performance against these targets and any payments proposed considering variable remuneration plans of other colleagues where applicable.
- 4 The design of, eligibility for and targets for, any longer-term performance-related remuneration plans (including determining the size of awards taking into account long-term variable remuneration plans of other colleagues where applicable) and the subsequent review of performance against such targets, considering whether to override formulaic outcomes and agreeing any payments proposed.
- 5 Whether an appropriate level of risk management and performance adjustment (including the application of deferral and malus and clawback) has been applied in performance assessments and remuneration awarded to these colleagues.

F. Oversight of decisions regarding the remuneration of other Material Risk Takers

- 1 Approve and periodically review (and, in respect of individuals who are considered to be Material Risk Takers within the Banks, consider any representations made by each Bank Remuneration Committee and recommend any changes

to the relevant Bank Remuneration Committee for approval) the policy (including any principles) to be applied by the Group Chief Executive in relation to all aspects of remuneration (including in relation to any annual performance-related variable remuneration plans and participation in the Group's employee share schemes) for all other individuals who are considered to be Material Risk Takers in accordance with the Remuneration Part of the PRA Rulebook or SYSC 19 of the FCA Handbook.

G. Oversight of decisions regarding the remuneration of all colleagues

In respect of all colleagues, where applicable:

- 1 Recommend to the Board for approval the pension policy. Only basic salary should be pensionable and the pension contribution rates for Executive Directors, or payments in lieu, should be aligned with those available to the work force. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for Directors close to retirement, should be carefully considered when compared with workforce arrangements.
- 2 Monitor annual base salary increase budgets.
- 3 Review and oversee pay and benefit policies and the alignment of incentives and reward with culture.
- 4 Review and oversee financial and non-financial reward policies and procedures.
- 5 Approve any buy-out award or guarantee exceeding £500,000.
- 6 Approve any termination payment exceeding £500,000 (excluding values that reflect express contractual obligations, that form part of a redundancy policy, or that result from 'good leaver' treatment either under express plan rule provisions or which form part of a 'good leaver' framework approved by the Committee). In making any such determinations the Committee shall ensure that any such packages are reasonable, reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

5. Membership

- 1 The Committee (including the Committee Chair) shall comprise of at least three members. All members of the Committee must be independent Non-Executive Directors (NEDs), except for the Chair of the Board who is independent on appointment.
- 2 At least one member of the Board Risk Committee and of the Audit Committee will be members of the Committee.
- 3 The Banks' Remuneration Committees shall have one member who is an RFB-Designated NED. The RFB-Designated NED may appoint any other RFB-Designated NED, who is not already a member, as their alternate to attend a meeting of the Banks' Remuneration Committees.
- 4 Where no RFB-Designated NED who is a member of the Committee nor any such alternate can attend, the Committee Chair shall:
 - a. in so far as possible, seek the view of the RFB-Designated NEDs on any potential RFB Conflict Matter which is to be considered at that meeting; and
 - b. inform the Banks' Chief Risk Officer who will notify the PRA of the situation.
- 5 Members of the Committee will be appointed by its Board, following recommendation by its Nomination and Governance Committee.

6. The Chair

- 1 The Chair of the Committee will be appointed by the members of its Board, following recommendation by its Nomination and Governance Committee. The Chair shall have served for at least 12 months on the Committee or another Remuneration Committee before taking up the role.
- 2 In the Chair's temporary absence, one of the other members of the Committee nominated by the Chair in advance or elected by the other members of that Committee will act as Chair. The Chair of the Board shall not be Committee Chair.
- 3 The Chair is responsible for:
 - a. overseeing the performance and discharge of responsibilities of the Committee;
 - b. fostering an open, inclusive discussion which challenges executives and providing independent oversight of relevant executive decisions;
 - c. with support from the Secretary to ensure that the Committee has the information necessary to discharge its responsibilities;
 - d. engaging with stakeholders, including the PRA, the FCA and principal shareholders, recognised unions and colleagues, on behalf of the Committee; and
 - e. reporting to the Board on the Committee's activities -such report may be verbal and / or in writing.
- 4 The Chair of the Banks' Remuneration Committees may perform a similar role for the Group Committee, but must not hold a similar role for any other company in the LBG Group, other than within the RFB Sub-Group.¹
- 5 The Chair of each Committee (insofar as it considers issues on behalf of or in relation to an SMCR Entity) is a Senior Manager for the purposes of the SMCR. This role needs pre-approval from the PRA/FCA.

¹ For these purposes, "LBG Group" shall be defined by reference to section 421 of the Financial Services and Markets Act 2000 and "RFB Sub-Group" shall include any ring-fenced affiliate (as such term is defined in the Ring-fenced Bodies Part of the PRA Rulebook).

7. Attendees

- 1 Attendees join meetings to share expertise and help inform the Committee's deliberations. Although they do not have decision-making responsibilities, the Chair may invite them to speak or provide input on particular topics.
- 2 The Committee may invite such non-Member attendees as it deems necessary to fulfil its responsibilities.
- 3 The Group Chief Executive, the Chief People and Places Officer and the Group Total Reward Director will normally attend meetings and other members of management may be invited for a particular meeting or a particular agenda item as appropriate or necessary.
- 4 The Chief Risk Officer will attend the Committee meetings to advise on the half and full year risk performance.
- 5 The Committee shall meet the Chief Risk Officer without management being present as often as necessary.
- 6 No person will be in attendance when matters concerning their own remuneration is discussed.

8. 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 NED 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

9. Committee management

A. Secretary

The Secretary to the Committee shall be the Company Secretary or their nominee.

B. Frequency

- 1 The 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 each Committee shall call meetings of the Committee at the request of any of:
 - a. the Chair of the Committee; and
 - 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, Conflicts and Record of Attendance

- 1 The Secretary to the 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 minutes of all meetings will identify any potential RFB Conflict Matter, whether the RFB-Designated NEDs elected to exercise their weighted voting rights in respect of any RFB Conflict Matter and any action taken or to be taken in relation to any 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 including any RFB Conflict Matter 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 respective Nomination and Governance Committee for consideration and, if appropriate, recommendation to its Board for approval.
- 2 Each Committee shall review at least annually its performance (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 21 September 2026.