

**LLOYDS BANKING GROUP PLC
NOMINATION AND GOVERNANCE COMMITTEE
TERMS OF REFERENCE**

These terms of reference are for the Nomination & Governance Committee (the “Committee”) of the Board of Lloyds Banking Group plc.

1. SCOPE

1.1 PURPOSE

- 1.1.1 To keep the Board’s governance arrangements under review and to make appropriate recommendations to the Board to ensure that the Company’s arrangements are consistent with corporate governance standards and best practice; and
- 1.1.2 To assist the Chair in keeping the composition of the Board under review and to lead the appointments process for nominations to the Board.

1.2 AUTHORITY

The Committee is a committee of the Board of the Company. The Committee is authorised by the Board to:

- 1.2.1 investigate any activity within its terms of reference and have such direct access to the resources of the Group as it may reasonably need;
- 1.2.2 seek any information that it needs from any employee, and all employees are directed to co-operate with any request made by the Committee; and
- 1.2.3 engage outside legal or other independent professional advisers and obtain appropriate funding for the payment of relevant fees and expenses.

The Committee may delegate all or any of its responsibilities to one or more sub-committees including one established solely for that purpose.

1.3 CORPORATE GOVERNANCE STANDARDS

In discharging its responsibilities, the Committee will consider established and evolving best practice corporate governance standards including, where relevant, standards set by voting agencies and voluntary codes. Where departure from these standards or codes including the UK Corporate Governance Code is needed or believed to be appropriate, the Committee will recommend to the Board the appropriate explanation or justification or use as needed in the Company’s external disclosures.

2. RESPONSIBILITIES

The responsibilities of the Committee are to:

2.1 Appointments

- 2.1.1 lead the formal, rigorous and transparent **Board appointment process** for new directors, establishing appropriate selection criteria and recommending suitable candidates to the Board. In doing so, the Committee should engage a broad set of qualities and competences when recruiting members to the Board and for that purpose put in place a policy, based on merit and objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths on the Board. Where appropriate, the Committee will delegate the selection/nomination process to a sub-committee established specifically for that purpose.
- 2.1.2 evaluate the balance of **skills, experience, independence and knowledge** on the Board, assess the time commitment needed to prepare a description of the role and capabilities needed for a particular appointment.
- 2.1.3 **review the processes in place to achieve optimal board composition**, including appointment criteria, succession planning and as necessary will propose changes to the processes;

- 2.1.4 agree the **terms and conditions applicable to the appointments** of Non-Executive Directors of the Company (including the Chair of the Board). For the avoidance of doubt, this does not extend to the fees payable to Non-Executive Directors, which:
- in the case of the Chair and Deputy Chair, will be proposed by the Remuneration Committee and recommended to the Board for approval; and
 - in the case of all other Non-Executive Directors, will be proposed by the Chair and Group Chief Executive and recommended to the Board for approval;
- 2.1.5 approve the appointments of Non-Executive Directors of the Company as a director or chair of any **subsidiary company**;
- 2.1.6 approve the appointment of directors to those **subsidiaries identified by the Committee as material**, where the Group Chief Executive will provide a recommendation to the Committee in relation to the nomination of Executive Directors. Note the subsidiaries that have been identified as material as at November 2020 are the Insurance Board companies: Scottish Widows Group Limited, Scottish Widows Limited, Lloyds Bank General Insurance Limited, St Andrew's Insurance plc, Scottish Widows Financial Services Holdings, Lloyds Bank General Insurance Holdings Limited; Scottish Widows Administration Services Limited and Scottish Widows Administration Services (Nominees) Limited together with Lloyds Bank plc; Bank of Scotland plc; HBOS plc and Lloyds Bank Corporate Markets plc;
- 2.1.7 approve **trustee appointments** and re-appointments to the Lloyds Bank Foundations and the Bank of Scotland Foundations, notifying the Board of changes at least annually;
- 2.2 Succession Planning**
- 2.2.1 oversee the development of a **diverse Board succession** pipeline.
- 2.2.2 conduct an **annual review of the adequacy of succession arrangements for Executive** Directors, other members and attendees of the Group Executive Committee and their respective direct reports, and the Company Secretary. The Committee will do so by ensuring the policy for selection and appointment of senior executives is appropriate - based on merit, objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths - and that senior executives have the right skills, values, attitude and energy essential to success;
- 2.2.3 recommend to the Board a **Board Diversity Policy** and Board Diversity Objectives (for all aspects of diversity - not just gender, ethnicity, social background, cognitive and personal strengths) and undertake an annual review of the Board Diversity Policy and Board Diversity Objectives incorporating a target for the representation of the underrepresented gender in the management body and the policy on how to increase the number of the underrepresented gender in the management body in order to meet that target;
- 2.3 Board & Committee Composition**
- 2.3.1 review and recommend to the Board the **appropriate structure, size and composition of the Board**, having regard to the balance of skills, experience, independence, knowledge and leadership needs (including the need to work effectively and collaboratively as a team, unified in support of the Group's strategy) of the Company and the need for effective succession planning based on merit, objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- 2.3.2 make recommendations to the Board regarding the **role**, including capabilities and time commitment, of the Chair, Deputy Chair, Senior Independent Director, Non-Executive Directors, the Group Chief Executive and Executive Directors;
- 2.3.3 keep **membership of Committees under review** at least annually, agreeing appropriate changes to Committee membership and notifying the Board of changes in the chair or membership of individual Committees for formal ratification. The appointment of the Chair of the Audit Committee is to be approved by the Audit Committee following the recommendation of the Nomination & Governance Committee;

- 2.3.4 work and liaise as necessary with the **Board and all other Board Committees ensuring the interaction** is reviewed regularly, taking account of the impact of risk management and internal controls being delegated to committees;

2.4 Board/Committee Effectiveness

- 2.4.1 oversee the formal and rigorous **annual evaluation** of the Board (including the knowledge, skills and experience, performance and contribution of individual directors and the Board collectively, diversity of the Board as a whole and the effectiveness of its members working together to achieve objectives as needed) and its Committees and report to the Board the results of these assessments, recommending actions for addressing any findings and overseeing the implementation of any resulting action plan.
- 2.4.2 assess, at least annually, the **structure, size, composition and performance** of the Board and make recommendations to the Board about any changes;
- 2.4.3 in performing its duties, and to the extent possible, on an ongoing basis, take account of the need to ensure that the Board's **decision making is not dominated** by any one individual or small group of individuals in a manner that is detrimental to the interest of the Company as a whole.
- 2.4.4 at least annually, review the effectiveness of the Committee, and to report to the Board thereon;
- 2.4.5 make recommendations to the Board regarding the **independence** of Non-Executive Directors, the re-appointment or re-election of directors and the suitability of any director to continue in office, having regard to their individual performance and the balance of skills needed on the Board;
- 2.4.6 hold a meeting (excluding the Chair) to agree the **Chair's objectives and performance**;

2.5 Corporate Governance

- 2.5.1 oversee the Board's **governance arrangements** both internal and external, to ensure that they pay due regard to best practice principles and remain appropriate for a group of the size and complexity of Lloyds Banking Group;
- 2.5.2 at least annually, or at the request of the Board at any time, review the **terms of reference** of this Committee and all the Committees of the Board, to ensure that they remain appropriate and fit for purpose, and to recommend to the Board any changes considered necessary or desirable. In this regard, the Committee will review the Group's **Corporate Governance Framework** at least annually and recommend any changes to the Board;
- 2.5.3 monitor **developing trends, initiatives or proposals in relation to board governance issues** in the UK and elsewhere in order to determine the extent to which such initiatives impact the Company and make recommendations to the Board on any changes to be implemented including the establishment of appropriate policies and practices to enable the Board to operate effectively and efficiently.;
- 2.5.4 review and approve the annual **Corporate Governance Report** for inclusion in the Company's annual report and accounts;
- 2.5.5 give due consideration to all relevant **laws and regulations** including the provisions of the Corporate Governance Code and associated guidance, the FCA and PRA rules, guidance and sourcebooks and any other rules or regulation as applicable;

2.6 Conflicts of Interest

- 2.6.1 ensure that prospective Non-Executive Directors disclose any **business interests** that may result in any actual or potential conflict of interests with those of the Group prior to any offer of appointment being made and ensure they report any future business interest that could result in a conflict of interest;
- 2.6.2 consider and authorise, subject to ratification by the Board, any **conflict** in which a Director may have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company when considering the authorisation of these situations, the

Committee will have regard to the possible time required to fulfil this, and all other outside commitments notified by the Director, and whether it could impede the Director from spending sufficient time to fulfil his or her obligations to the Company;

- 2.6.3 conduct an **annual review of the Conflicts Register** and review any disclosure relating to conflicts of interest to be made public; and
- 2.6.4 review the Company's approach to the **management of conflicts of interest** to ensure that it is in line with the Group's conflicts management protocols and in particular any actual or potential conflict between the Company and its shareholder is appropriately managed.

3. MEMBERSHIP

3.1 MEMBERSHIP

Members of the Committee will be appointed by the Board, on the recommendation of the Chair. Members will be a majority of independent Non-Executive Directors and will include:

- the Chair of the Board;
- the Deputy Chair of the Board; and
- the SID.

Appointments to the Committee will be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee. The Committee should be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

3.2 CHAIR¹

The Committee will be chaired by the Chair of the Board. In the Chair's temporary absence, one of the other Committee members nominated by the Chair or elected by the members of the Committee will act as Chair. The Chair should not chair the meeting when it is dealing with the succession of the chair.

The Chair's primary responsibility is to chair and oversee the performance of the role of the Committee. The Chair's other responsibilities include:

- ensuring that the Committee meets with suitable frequency;
- fostering an open, inclusive discussion which challenges executives, where appropriate;
- ensuring that the Committee devotes enough time and attention to the matters within its remit;
- helping to ensure that the Committee and its members have the information necessary to discharge its and their duties and tasks;
- reporting to the Board on the Committee's activities;
- facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- safeguarding the independence and overseeing the performance of the Committee;
- ensuring that the regulatory requirements in relation to the Committee are satisfied; and
- engaging with stakeholders, including the PRA, FCA and principal shareholders, on behalf of the Committee.

The Chair will be available, wherever possible, at the Group's Annual General Meeting.

¹ The Chair of the 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 approval by the PRA/FCA.

3.3 ATTENDEES

The Bank Only Non-Executive Directors will routinely be invited to attend the meetings. Only members have the right to attend meetings. The Committee may invite such other attendees as it deems necessary to fulfil its duties as set out above.

3.4 QUORUM

The quorum for the Committee will be three members, one of which should be the Chair or the Senior Independent Director.

4. COMMITTEE MANAGEMENT

4.1 SECRETARY

The secretary to the Committee will be the Company Secretary or their nominee.

4.2 PAPERS/AGENDA

Group Secretariat will support the Chair in managing the business of the Committee. The agenda and papers will be circulated to all members of the Committee at least 4 working days before the meeting. Such circulation of agenda and papers may be in paper or electronic format as preferred.

4.3 MINUTES/REPORTING

The Secretary will minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings will be circulated promptly to all members of the Committee, and the Committee Chair will report formally to the Board on the Committee's proceedings.

The minutes of the meeting will clearly identify the issues being considered as discussed by the meeting and any RFB Conflict Matter and any action to be taken in relation to any potential RFB Conflict Matter.

4.4 FREQUENCY

The Committee will meet as often as is necessary to fulfil its responsibilities but not less than twice a year.

5. TERMS OF REFERENCE

5.1 REVIEW REQUIREMENTS

These terms of reference are drafted, maintained and amended (as necessary) by Group Secretariat and must be approved by the Board. These terms of reference are subject to review at least annually or as needed by the Board.

5.2 APPROVAL

These Terms of Reference were approved by the Board of the Company November 2020.

LLOYDS BANK PLC AND BANK OF SCOTLAND PLC NOMINATION COMMITTEE TERMS OF REFERENCE

These terms of reference are for the Nomination Committees (the “Committee”) of the Boards of Lloyds Bank plc and Bank of Scotland plc. References to the Board are to the Board of Lloyds Bank plc and Bank of Scotland plc as appropriate.

1. SCOPE

1.1 PURPOSE

The Nomination Committee is responsible for reviewing and making recommendations to the Board on the composition of the Bank Boards and their Committees, taking into account the principles, policies and governance requirements of Lloyds Banking Group and the recommendations of the Group Nomination & Governance Committee.

1.2 AUTHORITY

The Committee is a committee of the Board of the Company. The Committee is authorised by the Board to:

- 1.2.1 investigate any activity within its terms of reference and have such direct access to the resources of the Group as it may reasonably need;
- 1.2.2 seek any information that it needs from any employee, and all employees are directed to co-operate with any request made by the Committee; and
- 1.2.3 engage outside legal or other independent professional advisers and obtain appropriate funding for the payment of relevant fees and expenses.

The Committee may delegate all or any of its responsibilities to one or more sub-committees including one established solely for that purpose.

2. RESPONSIBILITIES

The responsibilities of the Committee will be to:

- 2.1 review and make recommendations to the Board of the Bank on the composition of the Board of the Bank and its Committees and on such other matters on which the Board of the Bank relies on recommendations from the Committee in accordance with the matters reserved for the Board of the Bank;
- 2.2 perform such other duties as may be prescribed for nomination committees by the Regulators of the Bank;
- 2.3 in performance of its duties, review (and, if considered appropriate by the Committee, recommend to the Board of the Bank) the recommendations of the Group Nomination & Governance Committee always taking into account the principles, policies and governance requirements of the Group;
- 2.4 give due consideration to all relevant laws and regulations including the provisions of the Corporate Governance Code and associated guidance, the FCA and PRA rules, guidance and sourcebooks and any other rules or regulation as applicable.
- 2.5 work and liaise as necessary with the Board and all other Board Committees ensuring such interaction is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to committees.

3. MEMBERSHIP & ATTENDANCE

3.1 MEMBERSHIP

Members of the Nomination Committee will be appointed by the Board of the Bank on the recommendation of the Committee. Members will be independent Non-Executive Directors and at least one will be a Bank Only Non-Executive Director. Appointments to the Committee will be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee. The

Committee should be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

Each of the Bank Only Non-Executive Directors may appoint an alternate (who must be a Bank Only Non-Executive Director) to attend a meeting of the Committee on his/her behalf. In exceptional circumstances where a Bank Only Non-Executive Director or his/her alternate cannot attend the Board or Committee meeting the Chair will, in so far as possible, seek to obtain the views of the Bank Only Non-Executive Directors on any potential RFB Conflict Matter which is to be considered at that meeting, in so far as possible, also ensuring that the PRA is notified should such a situation arise.

3.2 CHAIR²

The Chairman of the Committee will be appointed by the Board and will be an independent Non-Executive Director. The role of the Chair may be held by the Chair of the Lloyds Banking Group Nomination & Governance Committee. In the Chair's temporary absence, one of the Committee members nominated by the Chair or elected by the other members of the Committee will act as Chair. The Chair may not perform a similar role for any of the Group's other subgroups.

The Chair's primary responsibility is to chair and oversee the performance of the role of the Committee. The Chair's other responsibilities include:

- ensuring that the Committee meets with suitable frequency;
- fostering an open, inclusive discussion which challenges executives, where appropriate;
- ensuring that the Committee devotes enough time and attention to matters in its remit;
- helping to ensure that the Committee and its members have the information necessary to discharge its duties and their tasks;
- reporting to the Board of the Bank on the Committee's activities;
- facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- safeguarding the independence and overseeing the performance of the Committee;
- ensuring that the regulatory requirements in relation to the Committee are satisfied; and
- reporting to the Group Nomination & Governance Committee at the request of the Chair of the Group Nomination & Governance Committee, on matters with the responsibility of the Nomination Committee and escalating matters to the Group Nomination & Governance Committee as appropriate.

3.3 ATTENDEES

Only members and alternates have the right to attend meetings. The Committee may invite such other attendees as it deems necessary to fulfil its duties as set out above.

3.4 QUORUM

The quorum for meetings of the Committee will be any three members.

4. COMMITTEE MANAGEMENT

4.1 SECRETARY

The secretary to the Committee will be the Company Secretary or their nominee.

² In relation to discharging this role for the SMCR Entities, the Chair is a Senior Manager for the purposes of the SMCR. This needs prior approval of the individual by the PRA/FCA.

4.2 PAPERS/AGENDA

Group Company Secretariat will support the Chair in managing the business of the Committee. The agenda and papers will be circulated to all members of the Committee at least 4 working days before the meeting. Such circulation of agenda and papers may be in paper or electronic format as preferred.

Where appropriate relevant agenda items and meeting papers will be clearly identified as being for consideration by the relevant Committee of the appropriate entity. Active consideration will be given to the distribution of meeting papers, to ensure that the correct papers are provided to the relevant Board and Committee members.

4.3 MINUTES

The secretary will minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings will be circulated promptly to all members of the Committee, and the Committee Chair will report formally to the Board on the Committee's proceedings.

The minutes of each meeting will be produced as separate documents and will clearly identify the issue being considered as discussed by the meeting(s), any potential RFB Conflict Matter and any action to be taken (in particular escalation) in relation to any potential RFB Conflict Matter.

4.4 FREQUENCY

The Committee will meet as often as is necessary to fulfil its responsibilities and at least twice a year the Committee will meet to consider matters that relate to the Bank alone.

5. TERMS OF REFERENCE

5.1 REVIEW REQUIREMENTS

These terms of reference are drafted and amended (as necessary) by the Company Secretary and must be approved by the Board. These terms of reference are subject to review annually by the Nomination Committee or as needed by the Board considering, in both cases, recommendations made by the Group Nomination & Governance Committee.

5.2 APPROVAL

These Terms of Reference were approved by the Board of the Company November 2020.