

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

## Nomination and Governance Committee Terms of Reference

### 1. Purpose

The purpose of each Nomination and Governance Committee is to:

- 1 keep its Board's governance arrangements under review and to make appropriate recommendations to its Board to ensure that the corresponding Company's arrangements are consistent with corporate governance standards and best practice;
- 2 ensure there is a formal, rigorous and transparent procedure for the appointment of new directors;
- 3 lead the process for Board appointments, making recommendations to its Board and ensuring plans are in place for succession to its Board and senior management positions, overseeing the development of a diverse pipeline for succession; and
- 4 assist its Board in ensuring its composition is regularly reviewed and refreshed.

### 2. Aligned Board Model

The Nomination and Governance Committees of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc (and, to the extent relevant, HBOS plc) operate an Aligned Board Model. This includes aligned meetings for the Nomination and Governance Committees of each entity, where meeting agendas clearly indicate 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, Bank of Scotland plc and, to the extent relevant, HBOS plc.

- Sections of these terms of reference which apply only to the Nomination and Governance Committee of the Board of Lloyds Banking Group plc are headed "*Group Committee only*".
- Sections of these terms of reference which apply only to the Nomination and Governance Committees of the Board of Lloyds Banks plc and Bank of Scotland plc are headed "*Banks' Committees only*".
- HBOS plc will have a Nomination and Governance Committee, and such Nomination and Governance Committee will undertake the actions set out in paragraph 6 'Responsibilities', only insofar as considered necessary for legal or regulatory purposes.

### 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 Nomination and Governance Committee;
- the "Banks" means Lloyds Bank plc and Bank of Scotland plc;
- the "Group" in the context of Lloyds Banking Group plc, Bank of Scotland plc and HBOS plc should be read as "Lloyds Banking Group plc and its subsidiaries and associates from time to time", "Lloyds Bank plc and its subsidiaries and associates from time to time", "Bank of Scotland plc and its subsidiaries and associates from time to time" and "HBOS plc and its subsidiaries and associates from time to time", respectively;
- the "Group Committee" means the Nomination and Governance Committee of Lloyds Banking Group plc; and
- the "Banks' Committees" means the Nomination and Governance Committees of each of Lloyds Bank plc and Bank of Scotland plc.

(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; and the "Group" means Lloyds Banking Group plc and its subsidiaries and associates from time to time.)

## 5. Authority

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

- 1 investigate any activity 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 nomination committees; and
- 7 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.

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 are to:

### A. Board Appointments

- 1 Lead the formal, rigorous and transparent appointment process for new Board directors (which, in the case of the *Banks' Committees only*, will involve public advertising of any vacancy for an independent Non-Executive Director, unless otherwise agreed with the PRA), establishing appropriate selection criteria and recommending suitable candidates to the Board. In doing so, the Committee should consider 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 may delegate the selection/nomination process to a sub-committee established specifically for that purpose.
- 1 Before beginning a search for candidates for a particular appointment, prepare a written description of the role and capabilities required, and the time commitment expected, for that appointment.
- 2 Review the processes in place to achieve optimal Board composition, including appointment criteria, succession planning and as necessary propose changes to the processes.
- 3 Seek advice from external search consultants or use open advertising (or both), if appropriate, in relation to seeking and selecting candidates for any appointments and, where an external search consultancy is engaged, identify this in the annual report alongside a statement about any other connection it has with the Company or individual directors.
- 4 Review a candidate's other commitments and ensure that, on appointment, a candidate has sufficient time to undertake the role.
- 5 Ensure that, on appointment to the Board, Non-Executive Directors of the Company (including the Chair of the Board) receive a letter of appointment setting out clearly what is expected of them in terms of time commitment, Board Committee service and involvement outside Board meetings. For the avoidance of doubt, this does not extend to the fees payable to Non-Executive Directors.

### B. Other Appointments

- 1 *Group Committee only*: Consider once in each financial year (if possible, around the time of the consideration of any amendments to, and before the Board's approval of any update to the Board Authorities impacting, these terms of reference) and, if appropriate, identify those subsidiaries of the Group which the Committee deems to be material subsidiaries in the context of appointments of directors to such subsidiaries.
- 2 *Group Committee only*: Approve the appointments of:
  - a. Non-Executive Directors of the Company as a director or chair of any subsidiary company;

- b. any individuals as directors to those subsidiaries identified by the Committee from time to time as material (pursuant to B1 above),<sup>1</sup> where the Group Chief Executive will provide a recommendation to the Committee in relation to the nomination of Executive Directors.

3 ***Group Committee only:*** Approve trustee appointments and reappointments to the Lloyds Banking Group Foundations.

4 ***Banks' Committees only:*** Ensure that not more than one-third of the Board's members are employees or directors of any company within any of the Group's other sub-groups.

#### C. Succession planning

1 Oversee the development of a diverse pipeline for succession to both Board and senior executive positions, ensuring the policy for selection and appointment of senior executives is appropriate, based on merit, objective criteria, promotes 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 Conduct an annual review of the adequacy and effectiveness of succession arrangements for Executive Directors, other members and attendees of the Group Executive Committee and their respective direct reports, and the Company Secretary.

#### D. Board Diversity

1 Recommend to the Board a Board Diversity Policy and Board Diversity Objectives (covering all aspects of diversity, including but not limited to 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.

#### E. Board & Committee composition

1 At least annually evaluate the structure, size and composition (including the balance of skills, experience, independence and knowledge) of the Board and the future challenges affecting the business, taking into account the Company's current requirements, the results of the Board performance evaluation process that relate to the composition of the Board, the length of service of the Board as a whole, and make recommendations to the Board with regard to any adjustments that may be needed.

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.

3 Review membership of Committees 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.

#### F. Board & Committee effectiveness

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, at least annually, the results of these assessments, recommending actions for addressing any findings and overseeing the implementation of any resulting action plan.<sup>2</sup>

2 Ensure an externally facilitated evaluation of the Board is regularly considered and conducted as appropriate, the expectation being that this will be at least every three years.

3 In performing its duties, and to the extent possible, 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.

4 ***Group Committee only:*** Make recommendations to the Board regarding the independence of Non-Executive Directors, the reappointment 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.

5 Hold a meeting (excluding the Chair of the Board) to agree the Chair of the Board's objectives and performance.

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<sup>1</sup> As at the date of approval of these terms of reference, subsidiaries identified by the Committee as material 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, Lloyds Bank Corporate Markets plc and LBG Equity Investments Limited.

<sup>2</sup> The performance evaluation of each of Lloyds Bank plc and Bank of Scotland plc should consider the effectiveness of the Ring-Fenced Banking arrangements and the effectiveness of the procedures for the identification, escalation and resolution of potential RFB Conflict Matters. Performance evaluation is expected to be externally facilitated every three years.

## G. Corporate governance

- 1 Oversee the Board's governance arrangements and review the Group's Corporate Governance Framework at least annually and recommend any changes to the Board.
- 2 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 and monitor developing trends, initiatives or proposals in relation to board governance issues in the UK and, to the extent relevant, 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.
- 3 ***Group Committee only:** Review and approve the annual Corporate Governance Report for inclusion in the Company's annual report and accounts.*
- 4 ***Group Committee only:** Review and approve the description in the annual report of the work of the Committee.*
- 5 ***Group Committee only:** Ensure that the Company maintains a dialogue with shareholders about succession planning, the appointment of directors and the work of the Committee.*

## H. Conflicts of interest

- 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 before any offer of appointment is made.
- 2 Ensure that all Directors notify, and consider and, if appropriate, recommend to the Board for approval), any situation or matter in which a Director may have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company; and, when considering whether to recommend to the Board the approval of any such situation or matter, have regard to the possible time required for it, and all other outside commitments notified by the Director, and whether it could impede the Director from spending sufficient time to fulfil their obligations to the Company.
- 3 Conduct an annual review of the Conflicts Register and review any disclosure relating to conflicts of interest to be made public.
- 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, *for the **Banks' Committees only**, in particular any actual or potential conflict between the Company and its shareholder is appropriately managed.*

## I. Other matters

- 1 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 Board Committees.

## J. **Banks' Committees only - Additional responsibilities**

*Each of the Banks' Committees also have the following additional responsibilities:*

- 1 ***Banks' Committees only** - Review and make recommendations to the Committee's Board on such other matters on which the Board relies on recommendations from the Committee in accordance with the matters reserved for the Board.*
- 2 ***Banks' Committees only** - In performance of its duties, review (and, if considered appropriate by the Committee, recommend to its Board) the recommendations of the Group Committee, always taking into account the principles, policies and governance requirements of the Group.*

## 7. Membership

### A. Members

- 1 At all times each Committee shall comprise at least three members.
- 2 Members of each Committee will be appointed by its respective Board, on the recommendation of the Chair of the corresponding Committee.
- 3 Appointments to each 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 relevant 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.
- 5 ***Group Committee only** - Group Committee members will be independent Non-Executive Directors and will include:*
  - a. *the Chair of the Board;*
  - b. *the Deputy Chair of the Board; and*

c. *the Senior Independent Director.*

6 ***Banks' Committees only*** - *Banks' Committee members will all be independent Non-Executive Directors and at least one will be a RFB-Only NED.*

7 ***Banks' Committees only*** - *Each of the RFB-Only NED may appoint any other RFB-Only NED (not already on the Committee) as their alternate to attend a meeting of the Committee. Where no RFB-Only NED who is a member of the Committee nor any such alternate can attend, the Chair shall:*

a. *in so far as possible, seek the view of the RFB-Only NEDs on any potential RFB Conflict Matter which is to be considered at that meeting; and*

b. *notify the PRA of the situation.*

## **B. The Chair**

1 The Chair of each Committee shall be the Chair its Board. The Chair role will be held by the Chair of the Group Committee.

2 In the Chair's temporary absence, one of the other members of the Group Committee nominated by the Chair in advance or elected by the members of that Committee will act as Chair.

3 The Chair of the relevant Board should not chair any Committee meeting when it is dealing with the matter of their succession.

4 The Chair's primary responsibility is to chair and oversee the performance of the role of the Committee.

5 The Chair's other responsibilities in respect of each 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.

6 The Chair will be available, wherever possible, at the Group's AGM.

7 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.

8 ***Banks' Committees only*** - *The Chair may not perform a similar role for any of the Group's other sub-groups. However, the Chair may, but does not need to be, be the Chair of the Group Committee.*

9 ***Banks' Committees only*** - *The Chair of the Banks' Committees shall be responsible for reporting to the Group Committee at the request of the Chair of the Group Committee, on matters within the responsibility of the Banks' Committees and escalating matters to the Group Committee as appropriate.*

## **C. Quorum, Voting and Written Resolutions**

1 ***Group Committee only*** - *The quorum for the Group Committee will be three members, one of whom should be the Chair or the Senior Independent Director.*

2 ***Banks' Committees only*** - *The quorum for meetings of each of the Banks' Committees will be any three members.*

3 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.

4 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 Group Committee only - Only members of the Group Committee have the right to attend meetings of the Group Committee.
- 2 Banks' Committee only - Only members of the Banks' Committees and their alternates have the right to attend meetings of the Banks' Committees.
- 3 Each Committee may invite such other attendees as it deems necessary to fulfil its duties as set out above.

### 8. Committee management

#### A. Secretary

- 1 The secretary to the 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 twice a year.
- 2 Banks' Committees only - In light of the Aligned Board Model, each of the Banks' Committees shall meet at least twice a year to consider matters that relate to its Bank alone.

#### 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 each 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

- 1 The secretary to each Committee shall minute the proceedings of all meetings of the Committee, 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; however, separate minutes will be produced in respect of such meetings of the Banks' Committee as are held (at least twice a year) to consider matters that relate to the Banks alone; and minutes of all meetings will identify any potential RFB Conflict Matter, whether the RFB-Only 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 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.

#### E. Review requirements

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