

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, oversee the design and make recommendations to its Board on 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), both of which are aligned with the Group's long-term business strategy, business objectives, risk appetite and values, as well as the long-term interests of the Group and its relevant stakeholders;
- 2 oversee the implementation of the Directors' Remuneration Policy and the Group Remuneration Policy, and to review performance and approve remuneration arrangements as set out in these terms of reference;
- 3 ensure that the remuneration policy, practices and procedures are consistent with, promote the sound and effective risk management of, and incentivise appropriate behaviours; and
- 4 perform such other duties as may be prescribed for by the regulators.

Each Committee shall report to its Board on its activities.

2. Aligned Board Model

The Remuneration 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 Remuneration Committees of each entity, where meeting agendas clearly identify which items concern which entity. The Remuneration Committees have been established as follows:

- **Group Committee only:** the Group Remuneration Committee has been established by its Board to comply with Provision 32 of the UK Corporate Governance Code in respect of Lloyds Banking Group plc;
- **Banks' Committees only:** each of Lloyds Bank plc and Bank of Scotland plc, as a regulated bank, is required to establish a separate remuneration committee under SYSC 19D.3.12 of the FCA Handbook and Rule 7.4 of the Remuneration Part of the PRA Rulebook and, as Ring-Fenced Banks, in accordance with Rule 8.1 of the Remuneration Part of the Ring-fenced Bodies Part of the PRA Rulebook and the Direction given by the PRA under section 138A of the Financial Services and Markets Act 2000, which is effective from 1 January 2021;
- **Group Committee only:** the Group Remuneration Committee, established by the Board of Lloyds Banking Group plc, is concerned with the business of the whole Group and accordingly its authority extends to all relevant matters relating to the Company 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 the terms of reference of any remuneration committees of such direct and indirect subsidiaries, as the case may be, in which case such matters shall be dealt with by the relevant Bank's Committee within the parameters set by the Group Remuneration Committee; and
- HBOS plc will have a Remuneration Committee only insofar as considered necessary for legal or regulatory purposes.

3. Entities to which these terms of reference apply

These terms of reference apply to Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and, to the extent relevant, HBOS plc. See paragraph 2 'Aligned Board Model' above for further information.

- Sections of these terms of reference which apply only to the Remuneration 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 Remuneration Committees of the Board of Lloyds Banks plc and Bank of Scotland plc are headed "**Banks' Committees only**".
- HBOS plc will have a Remuneration Committee and such Remuneration 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 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 subsidiaries and associates. 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; and
- the "Banks' Committees" means the Remuneration Committees of each of Lloyds Bank plc and Bank of Scotland plc.

5. Authority

The 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 colleague (and all colleagues are directed to cooperate with any request made by the Committee);
- 4 secure the attendance of any colleague, 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 at the expense of its Company, engage any external legal or other independent remuneration advisers and set their terms of reference, and commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties. However, the Committees should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants. Any advisers engaged by the Committee will not also be engaged by management for the purposes of obtaining remuneration advice without the consent of the Committee Chair;
- 7 obtain assurances and, when appropriate, reports from the boards of subsidiary companies which have appointed separate remuneration committees; and
- 8 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. It is noted that, in respect of the remuneration of certain categories of colleagues, the Group Remuneration Committee and each Bank Remuneration Committee have delegated authority to the Group Chief Executive to establish, implement and maintain remuneration policies, procedures and practices that adhere to the Group Remuneration Policy and are consistent with and promote principles of effective risk management; and to approve awards to any 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 less than £1.5m per annum.

The Committee shall work and liaise as necessary with all other Committees of its Board (which includes working and liaising as necessary by the Group Remuneration Committee with the Bank Remuneration Committees and vice versa), and periodically review interactions between its Board and the other Committees.

6. Responsibilities (Group Committee)

Group Committee only: *The responsibilities of the Committee will be to:*

A. Set the remuneration policies

- 1 Set and recommend to the Board for approval the Directors' Remuneration Policy and the Group Remuneration Policy, taking into account the Group's long-term business strategy, the Group Values, the Group Culture framework, all regulatory requirements, the long-term interests of shareholders, investors and other stakeholders and the need to engage with colleagues in developing such policies, as well as the need to promote effective risk management. Alignment between the two policies must also be considered.

- 2 Recommend the Group Remuneration Policy to each Bank Remuneration Committee for approval and consider any representations made by each Bank Remuneration Committee regarding the application of the Group Remuneration Policy to each of the Banks.
- 3 Ensure the Group's policies, practices and procedures and all remuneration arrangements comply with all relevant regulation, legislation, codes of conduct and good remuneration practice (including the Remuneration Part of the PRA Rulebook, FCA Handbook SYSC 19D and the UK Corporate Governance Code) and have regard to the remuneration trends for all colleagues. When determining Remuneration Policy and procedures, the Committee should consider the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture.

B. Monitor the remuneration policies

- 1 Review annually the report from the Chief People and Places Officer on the operation of the Group Remuneration Policy and its effectiveness and engage with colleagues to ensure they receive adequate information to understand the requirements of the Group Remuneration Policy and how it aligns with the Directors' Remuneration Policy, 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 Division as appropriate and consider any representations from each Bank Remuneration Committee in this regard.
- 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 At least annually review the 'LBG Performance Share Approach' document and the Deferral and Performance Adjustment policy, including the triggers under which malus and clawback would take place, ensuring that the Committee retains full discretion to introduce additional criteria where appropriate. Recommend any changes to the relevant Bank Remuneration Committee for approval and consider any representations from each Bank Remuneration Committee in this regard.
- 5 Liaise as needed with the Board Risk Committee and Risk Division to evaluate the incentives created by the Group's remuneration system (including risk-adjusted performance measures and the Group's malus and clawback policies) to confirm that they are in line with sound and effective risk management and to assess the risks arising from the Group's remuneration policies for the purposes of the Internal Capital Adequacy Assessment Process. 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.
- 6 Ensure that potential conflicts of interest are managed and that no Director or senior executive is involved in any decisions as to their own remuneration.
- 7 Ensure that the application of remuneration policies incentivises appropriate behaviours in each Bank.
- 8 Oversee the monitoring of the Group's employee share schemes in operation from time to time, consider any representations made by each Bank Remuneration Committee and/or make recommendations to the relevant Bank Remuneration Committee in respect of such schemes, oversee 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 and 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.

C. Report and disclosure

- 1 Report annually to the Group Board on the principles and the substance of the Group Remuneration Policy and propose any substantive changes. This report will be supported by independent commentary from the Chief Risk Officer in the context of the Group's risk appetite.
- 2 Consider and note the contents of the annual Remuneration Policy Statement for each of the Banks for the PRA and FCA.
- 3 Ensure that procedures are in place to comply with the requirements for the disclosure of information relating to the Directors' remuneration, as set out in the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Listing Rules and the UK Corporate Governance Code.6B7
- 4 Consider and approve the Directors' Remuneration Report in the annual report and accounts, including the annual statement from the Chair of the Committee, the description of the work of the Committee as required by the UK Corporate Governance Code, the annual report on remuneration setting out payments during the financial year and, when required, the Directors' Remuneration Policy in relation to future payments to the Directors and former Directors.
- 5 Consider and make recommendations to the Board on remuneration-related shareholder resolutions.

6 Maintain contact as required with shareholders about the remuneration of Executive Directors and senior management and the work of the Committee.

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

- 1 Determine fees payable to the Chair.
- 2 Determine 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 Agree 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

Determine (and in the case of individuals / colleagues performing roles for the Group, rather than the Bank(s), approve) 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 (recommending such matters to the relevant Bank Remuneration Committee for approval in respect of individuals who perform an executive role within such Bank);
 - 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) (recommending such matters to the relevant Bank Remuneration Committee for approval in respect of individuals who are considered Material Risk Takers of such Bank);
 - 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 (recommending such matters to the relevant Bank Remuneration Committee for approval in respect of individuals who perform such role within such Bank); and
 - d. (i) the Group Chief Risk Officer and Group Chief Internal Auditor and persons reporting directly 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 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-Only NEDs have a right of veto in respect of the remuneration of the Functional Risk Director for each of the Banks.
- 1 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).
 - 2 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.
 - 3 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.
 - 4 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 Set and monitor (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 and 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 Determine and recommend to the Board for approval the pension policy.

- 2 Monitor annual base salary increase budgets.
- 3 Review and oversee pay and benefit policies and the alignment of 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.

Responsibilities (Banks' Committees)

***Banks' Committees only:** The responsibilities of each Committee will be to:*

A. Main responsibilities

- 1 Periodically review the Group Remuneration Policy as set by the Group Remuneration Committee, determine whether it will apply in whole or in part to its Bank (making representations to the Group Remuneration Committee as necessary) and make recommendations to its Board on the remuneration policy of its Bank and on such other matters on which its Board relies on recommendations from the Committee in accordance with the matters reserved for its Board.
- 2 Review the remuneration policies, practices and procedures of its Bank (and, where necessary, make representations to the Group Remuneration Committee) to ensure that they:
 - a. are consistent with and promote the sound and effective risk management of the Bank;
 - b. do not encourage risk taking that exceeds the level of tolerated risk of the Bank;
 - c. are in line with the business strategy, objectives, values and long-term interests of the Bank;
 - d. incentivise appropriate behaviours within the Bank; and
 - e. do not encourage the Bank to bear any risk which would undermine its ability to comply with any ring-fencing obligation.
- 3 Review (and, if considered appropriate by the Committee, recommend to its Board) the recommendations of the Group Remuneration Committee, always taking into account the principles, policies and governance requirements of the Group and all relevant laws and regulations including the FCA and PRA rules, guidance and sourcebooks and any other rules or regulation as applicable.
- 4 Review annually the report from the Chief People and Places Officer on the operation of the Group Remuneration Policy and its effectiveness for its Bank and make representations to the Group Remuneration Committee as necessary.
- 5 Monitor and review (and, if considered appropriate by the Committee, approve any recommendations of the Group Remuneration Committee in respect of) the application of the authority delegated to the Group Chief Executive and make representations to the Group Remuneration Committee as necessary to ensure that policies and principles are being consistently and effectively applied from the perspective of its Bank, seeking support and input from the People & Places function and Risk Division as appropriate.
- 6 Review the deferral and performance adjustment policies set by the Group Remuneration Committee, including the triggers under which malus and clawback would take place, and determine whether they will apply in whole or in part to its Bank, and make representations to the Group Remuneration Committee as necessary.
- 7 Liaise as needed with its Board's Board Risk Committee and the Bank's Risk Function to evaluate the incentives created by the remuneration system of its Bank (including risk-adjusted performance measures and malus and clawback policies) to confirm that they are in line with sound and effective risk management.
- 8 Periodically review the general principles of the Group Remuneration Policy (as it applies to its Bank) and its implementation including compliance with the Remuneration Part of the PRA Rulebook and SYSC 19 of the FCA Handbook.
- 9 Liaise with the Group Remuneration Committee to ensure that, at least annually, the implementation of the Group Remuneration Policy (as it applies to its Bank) is subject to central and independent internal review for compliance.
- 10 Consider and note the contents of the annual Remuneration Policy Statement for its Bank for the PRA and FCA.
- 11 Ensure that potential conflicts of interest are managed and that no Director or senior executive is involved in any decisions as to their own remuneration.

- 12 Monitor the participation of colleagues in the Group's employee share schemes in operation from time to time, make representations to the Group Remuneration Committee in respect of such schemes and assist with the administration of such schemes as necessary.

B. Specific Remuneration Arrangements

- 1 Review and, if considered appropriate by the Committee, approve the recommendations of the Group Remuneration Committee in relation to the performance assessments and all aspects of remuneration in respect of the following individuals:
 - a. Group Executive Committee members and attendees who hold executive roles within its Bank;
 - b. individuals with Total Compensation (defined as base salary, fixed benefits, bonus, fixed share awards, role-based allowances, Group Performance Share awards, Long Term Share Awards and any Long-Term Incentive Awards) which is equal to or exceeds £1.5 million per annum (High Earners) who are considered to be Material Risk Takers within its Bank;
 - c. individuals performing a senior management function (under SMCR) in relation to its Bank or any Capital Requirements Directive V Group Legal Entity within its Bank's sub-group; and
 - d. persons performing a Chief Risk Officer or Chief Internal Auditor role for its Bank or persons reporting directly to them or to the Group Chief Risk Officer or Group Chief Internal Auditor and who work (exclusively or predominantly) within its Bank, considering any recommendations from its Bank's Board Risk Committee Chair (as to the person performing the Group Chief Risk Officer role and any persons reporting directly to them) and the Bank's Audit Committee Chair (as to the person performing the Group Chief Internal Auditor role and any persons reporting directly to them) in this regard and ensuring that its RFB-Only NEDs acting by a majority consider, and, if considered appropriate, determine not to veto, any aspects of the remuneration of the Functional Risk Director for its Bank.
- 2 Review (and, if considered appropriate by the Committee, approve) the recommendations of the Group Remuneration Committee in relation to the policy and 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 within its Bank in accordance with the Remuneration Part of the PRA Rulebook or SYSC 19 of the FCA Handbook.

7. Membership

A. Membership

- 1 At all times the Committee shall comprise at least three members. All members of the Committee must be independent Non-Executive Directors (within the meaning of the UK Corporate Governance Code).
- 2 Members of the Committee will be appointed by its Board on the recommendation of its Board's Nomination and Governance Committee in consultation with the Chair of the (Remuneration) Committee.
- 3 **Group Committee only:** *The Chair of the Group's Board may be a member of the Committee provided they were considered independent on their appointment as Chair.*
- 4 **Group Committee only:** *At least one member of the Board Risk Committee and at least one member of the Audit Committee will be members of the Committee.*
- 5 **Banks' Committees only:** *At least two members of the Committee will be RFB-Only NEDs.*
- 6 **Banks' Committees only:** *Each of the RFB-Only NEDs 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.*
- 7 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.
- 8 The Committee should 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 the Committee will be appointed by the members of its Board following the recommendation of its Board's Nomination and Governance Committee.

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.

3 Group Committee only: The Chair must have served at least 12 months as a member of a remuneration committee
before being appointed to act as Chair of that Committee.

4 Group Committee only: The Chair of the Board may not chair the Committee.

5 Banks' Committees only: The Chair of the Board may not perform a similar role for any of the Group's other sub-groups.

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

7 Banks' Committees only: The Chair's other primary responsibility is to oversee the development and implementation of
the remuneration policies and practices of the Bank.

8 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, the FCA and principal shareholders, recognised unions and
colleagues, on behalf of the Committee.
- j. Banks' Committees only: engaging with the Group Remuneration Committee, on behalf of the Committee.
- k. Banks' Committees only: reporting to the Group Remuneration Committee at the request of the Chair of the
Group Remuneration Committee on matters within the responsibility of the Committee and escalating matters to
the Group Remuneration Committee as appropriate.

9 Group Committee only: The Chair will be available, wherever possible, at the Group's AGM.

10 Banks' Committees only: 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 pre-approval by the PRA/FCA.

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 the Committee have the right to attend Committee meetings.

2 The Committee may invite such non-Member attendees as it deems necessary to fulfil its responsibilities.

3 Group Committee only: 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 and when the Committee deems it appropriate or necessary.

4 Group Committee only: Two RFB-Only NEDs will normally attend Committee meetings.

5 The Committee should exercise independent judgement when evaluating the advice of external third parties and when
receiving views from Executive Directors and senior management, whose role in this regard should be clearly separated
from their role within the business and care should be taken to recognise and avoid conflicts of interest.

6 No person will be in attendance when matters concerning their own remuneration or fees are discussed.

8. Committee management

A. Secretary

1 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.

2 ***Group Committee only:** The Chair, in consultation with the Company Secretary, shall decide on the frequency and timing of the Committee meetings, ensuring that enough time is allowed for each meeting to enable the Committee to discuss the agenda items in as much detail as may be required.*

3 ***Group Committee only:** At least twice a year, the Chief Risk Officer and the Chief Financial Officer will each attend meetings to advise on the setting and review of performance targets and to validate and assess risk-adjustment techniques (including malus and clawback).*

4 ***Group Committee only:** As often as needed, the Committee shall meet with the Chief Risk Officer without management being present.*

5 ***Banks' Committee 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.*

6 ***Banks' Committee only:** At least annually, the individual performing a Chief Risk Officer role for the Committee's Bank shall attend a meeting to validate and assess risk-adjustment techniques for the Bank (including malus and clawback).*

7 ***Banks' Committee only:** As often as needed, the Committee shall meet with the individual performing a Chief Risk Officer role for the Bank without management being present.*

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; 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. In light of the Aligned Board Model, papers will clearly identify which agenda items and meeting papers relate to which entity and are for consideration by the Committee.

D. Minutes and Record of Membership

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 to which of the Company or the Banks the issue relates; however, separate minutes will be produced in respect of such meetings of the Banks' Committees 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 the 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 the Committee shall keep a record of the membership, and the dates of any changes to such membership, of the Committee and any person who, or firm which, provides advice or services to the Committee or materially assists the Committee on matters relating to Directors' remuneration and the nature of any other services provided by that person to the Company during the year.

E. Review requirements

1 The Committee shall review at least annually these terms of reference and propose any amendments it deems necessary or desirable to its Nomination and Governance Committee for consideration and, if appropriate, recommendation to its Board for approval.

2 The 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.

3 Any advisers engaged by the Committee will be subject to at least annual review by the Committee.

These terms of reference became effective as of 28 March 2024.