

Role of the Chair of the Board of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc

1. Purpose

The Chair of the Board leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair is pivotal in creating the conditions for overall Board and individual director effectiveness, setting clear expectations concerning the style and tone of Board discussions, ensuring the Board has effective decision-making processes and applies sufficient challenge to major proposals.

The Chair also has a key role to play in representing the Company to its key stakeholders, fostering constructive relationships with major shareholders and conveying their views to the Board as a whole.

2. Entities to which this role description applies

The role of Chair applies to each of LBG plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc. Provisions which apply only to specific entities are headed, or otherwise indicated, accordingly. It is expected that the same individual will act as Chair for all entities, including HBOS plc. The Chair should not also simultaneously act as CEO of any other entity within the Group. The "Banks" means Lloyds Bank plc and Bank of Scotland plc.

(The following defined terms, as set out in the Corporate Governance Framework document, are also applicable: the "Company" means each of Lloyds Banking Group plc, or where the context requires, Lloyds Bank plc, Bank of Scotland plc and HBOS plc as appropriate; and the "Group" means Lloyds Banking Group plc and its Subsidiary Undertakings from time to time.)

3. Key responsibilities

In respect of each Board, the Chair has the general responsibilities set out in the **Role of Directors** and also should:

A. Board/Committees

- 1 Demonstrate effective leadership of the Board and objective judgement throughout their tenure and seek proactively to remain apprised of matters relating to the Board and its Committees.
- 2 Ensure the Board meets regularly and has adequate time for discussion of all agenda items, in particular strategic issues, and that debate is not truncated.
- 3 Set an agenda (with the assistance of the Company Secretary) for, and run, Board meetings so as to focus primarily on strategy, performance, value creation, culture, risk and compliance, stakeholders and accountability and to ensure that issues relevant to these areas are reserved for Board decision.
- 4 Ensure that the Board receives accurate, timely, high-quality and clear information both before and during formal meetings, in particular about the Company's performance and significant risks, to enable the Board to take well-informed decisions; monitor the Company's performance and significant risks and compliance effectively; determine the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy; and promote the success of the Company. The nature, specific content and frequency of the management information provided to the Board and its Committees should be actively managed by the Chair with input from the Non-Executive Directors considering their particular needs.
- 5 Set the style and tone of the Board and its discussions to promote a culture of openness and debate, encouraging all members to engage by drawing on their skills, experience and knowledge, ensuring that all views (especially those of the Non-Executive Directors, including those that are dissenting) are heard and that the Executive Directors are not able to control the Board discussion.
- 6 Oversee effective implementation of Board decisions.
- 7 In respect of each Committee of the Board, ensure that:
 - a. Committees are properly structured with appropriate terms of reference which shall be published on the Company's website; set out its responsibilities and the authority delegated to it by the Board and identify how the activity of the Board committees complement one another (the Committee chairs should reach an agreement on which documents, or additional content, can be shared to facilitate this);
 - b. Committee membership is regularly refreshed;
 - c. when deciding the appointment of Committee chairs and Committee members, individual independent Non-Executive Directors do not become over-burdened.
- 8 Organise suitable training for all appointees of the Board.
- 9 Be responsible for maintaining ultimate oversight and responsibility for:
 - a. sustainability and climate-change policy and strategy¹; and

¹ The Board has delegated to the Responsible Business Committee certain responsibilities, including in relation to provision of oversight and challenge of activities impacting the Group's sustainability strategy through a number of purpose priorities, which include climate change and environmental sustainability strategy; and review and approve of any changes to external Group Frameworks and policy

b. cybersecurity aspects of operational resilience as part of overall operational risk.²

B. Directors/Executive

- 1 Seek to ensure a diverse, effective and entrepreneurial Board and, in conjunction with the Nomination and Governance Committee, plan succession in Board appointments, subject to Board and shareholder approval.
- 2 Ensure that all directors are aware of, and able to discharge, their statutory and regulatory duties and other responsibilities.
- 3 Allocate certain responsibilities to Board directors and executives in accordance with regulatory requirements.³
- 4 Ensure that policies and procedures for the induction and training and professional development of all directors are maintained, and ensure these are effectively implemented by:
 - with the assistance of the Company Secretary, leading the provision of a properly structured induction programme for new directors that is full, formal and tailored, including the opportunity to meet major shareholders and providing guidance and mentoring to new directors, in each case as appropriate; and
 - on an ongoing basis, ensuring that all directors continually update their skills, knowledge and familiarity with the Company to fulfil their role both on the Board and its Committees.
- 5 Lead the annual Board performance review, with support from the Senior Independent Director as appropriate, and act on the results by recognising the strengths and addressing any weaknesses of the Board.
- 6 Following the performance review, evaluate how effective the review process has been and how well the outcomes have been acted upon. The chair should also give a summary of the outcomes and actions of the review process in their statement in the *LBG plc* annual report.
- 7 Consider having regular externally facilitated Board performance reviews (*such reviews to take place at least every three years or as often as required by the UK Corporate Governance Code*) and ensure full cooperation between the Company and the reviewer, including access to board and committee papers and information, to observe meetings and to meet with directors individually. The Chair is responsible for making sure that the Board maximises the value of an externally facilitated board performance review.
- 8 Facilitate and encourage the engagement and effective contribution of all directors, including by drawing on their skills, experience and knowledge.
- 9 Promote constructive relationships based on trust, mutual respect and open communication, both inside and outside the boardroom, between Non-Executive Directors and the executive team, meeting regularly with the Non-Executive Directors in the absence of the Executive Directors in private sessions in order to facilitate a full and frank airing of views.
- 10 Establish a productive working relationship with the GCE, providing support and advice while respecting executive responsibility and offering constructive challenge.
- 11 Be available to the auditors and the heads of Internal Audit and Compliance.
- 12 Be available to the Executive Directors and senior management (including persons designated as Accountable Executives), including the chairs of the boards of subsidiaries for consultation and advice; engage regularly with the chairs of those boards; and ensure that there is appropriate delegation of authority from each Board to executive management.
- 13 Hold meetings with the Non-Executive Directors without the Executive Directors present.
- 14 Ensure that at least one RFB-Designated NED will be present at every meeting of the RFBs' Boards; and, if no RFB-Designated NED can attend, ensure that their views on any potential RFB Conflict Matter are taken into account and appropriately addressed; and inform the Banks' Chief Risk Officer so that the PRA will be notified.

C. Culture

- 1 Promote the highest standards of corporate governance within the Board and across the Group.
- 2 Support and champion the creation and maintenance of a customer-focused, open and transparent culture, and articulate and maintain a culture of risk awareness and ethical behaviour for the entire organisation to follow in pursuit of its business goals.

D. Strategy

Work with the GCE (and senior management generally) to ensure that each Board is presented with a clear strategy and high-level business plan for approval, with enough opportunity for debate, and that there is effective subsequent oversight by each Board of its execution.

E. Shareholders/stakeholders

- 1 Ensure the Board listens to the views of shareholders, the workforce, customers and other key stakeholders.

documents related to the Group's purpose and sustainability strategy and recommending to the Board any material changes. This underpins the Board's Chair's responsibility stated above.

² Operational risk is one of the Principal Risks within the Risk Management Framework approved by the Board; that risk includes cybersecurity. The Board Risk Committee receives regular updates from the Group's Information Technology and Cybersecurity Advisory Forum. Reports of that Forum's and the Board Risk Committee's activities are provided to the Board. This underpins the Board's Chair's responsibility stated above.

³ The Chair, together with the Board, has allocated to the Group Chief Executive (by way of delegation) all responsibilities not reserved to the Board and its Committees

- 2 Seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy and ensure that the chairs of the Board's Committees seek engagement with shareholders on significant matters related to the respective areas of responsibility of such Committees.
- 3 Ensure that the Board has a clear understanding of the views of shareholders.
- 4 Arrange, wherever possible, for the chairs of each of the Board's Committees to be available to answer questions at, and for all directors to attend, the Group's AGM.
- 5 Encourage the chairs of the Board Committees to lead discussions at the AGM and, as determined on a case-by-case basis, make a statement on the activities and achievements of the Committee over the year.
- 6 Represent each Board internally and externally.
- 7 Play a key role in representing the Company to its key stakeholders. The Chair is encouraged to report personally in the LBG plc annual report about Board leadership and effectiveness.

F. Regulatory

Oversee the Company's relationships with the PRA and the FCA and other governmental and regulatory bodies maintaining regular dialogue with these bodies and ensuring that the interactions complement those of the executive.

G. Delegation of authority

The Chair (or another Non-Executive Director expressly nominated by them) may exercise such powers of each Board as are necessary to fulfil its responsibilities.

4. Additional requirements

A. Conflicts of interest

- 1 ***LBG plc and HBOS plc only:*** Where the Chair is considered to have a personal conflict that would adversely affect their ability to chair the meeting, the Deputy Chair will chair the meeting.
- 2 ***The Banks only:*** Where the Chair is considered to have a personal conflict, the RFB-Designated Senior Independent Director will chair the relevant Bank Board (or both as necessary) in whole or in part.
- 3 ***The Banks only:*** If there were a disagreement as to whether the Chair has a personal conflict (and therefore whether it would be appropriate for the Chair to chair the relevant Board) the view of the majority (being two) of the RFB-Designated NEDs would prevail.

B. ***The Banks only:*** Where a matter has been identified as an RFB Conflict Matter, a majority (being two) of the RFB-Designated NEDs may decide that the Bank Senior Independent Director should chair the meeting for the duration of the consideration of that proposal involving an RFB Conflict Matter. **Time commitment and additional external commitments**

- 1 In light of the Aligned Board Model, the Chair of the Board role should be the Chair's primary activity. In the event of need, the Chair role will have priority over any other business time commitment.
- 2 The Chair will be expected to commit a substantial proportion of their time, i.e. around two-thirds of their working week, to the business of the Group, including:
 - working with the GCE and the executive team, while maintaining the right degree of detachment from them;
 - representing the special interests of the Group as a major financial services organisation in the City of London; and
 - being available as needed for consultation/representational purposes.

The Chair of the RFB Board may perform a similar role for the Group Board, but must not hold a similar role for any other company within the LBG Group, other than within the RFB Sub-Group.⁴ The Chair may not be an RFB-Designated NED.

C. Tenure

- 1 The Chair should stand for election at the first AGM following their appointment and, ***in the case of the Group only,*** absent any objection from the Nomination and Governance Committee or the Chair's desire to retire, should stand for re-election on an annual basis.
- 2 The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. However, to facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment. Clear explanation should be provided where this occurs.

D. Independence

- 1 The Chair should be independent on appointment when assessed against the circumstances set out in Provision 10 of the UK Corporate Governance Code.
- 2 The roles of Chair and Chief Executive should not be exercised by the same individual and Chief Executives should not become Chair of the same Company. If, exceptionally, this is proposed by the Board, major shareholders should be consulted ahead of appointment and the Board should set out its reasons to all shareholders at the time of appointment and publish the same on the Company website.

⁴ 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).

E. SMCR

In relation to discharging the role of Chair of the Board 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. Reference should be made to the Chair of the Board's SMCR Statement of Responsibilities for further details, including any additional regulatory responsibilities held.

F. Performance review

Engage with the process of the Board performance review and take appropriate action where development needs have been identified.