

LLOYDS BANKING GROUP PLC MATTERS RESERVED

(Definition of term used in this document – the 'Banks' refer to Lloyds Bank plc and Bank of Scotland plc).

1. Statutory Requirements

- 1.1 Approval of interim and final **financial and narrative** statements along with associated press releases and analysts' presentations.
- 1.2 Approval of any interim **dividend** and recommendation of final dividends.
- 1.3 Declaration of dividends and release of interim and preliminary results announcements may be approved by a Board Committee (comprising at least the Chair, Group Chief Executive and Chief Financial Officer).
- 1.4 Approval of the **annual report and accounts** and where necessary Form 20-F.
- 1.5 Approval of any significant change in **accounting policies** or practices and otherwise noting the Accounting Policies as approved by the Audit Committee.
- 1.6 Approval of **resolutions** and associated documentation to be put before shareholders at a general meeting.
- 1.7 Authorisation for directors' conflicts or potential conflicts of interest.
- 1.8 Recommendation of the appointment, reappointment or removal of **external auditors** to shareholders following the recommendation of the Audit Committee.
- 1.9 Approval of the appointment (or removal) of the **Company Secretary**.

2. Regulatory Requirements

- 2.1 Approval of all shareholder **circulars**, prospectuses and listing particulars.
- 2.2 Approval of **announcements or press releases** concerning matters reserved to the Board and/or which are considered likely to be price sensitive in relation to the ordinary shares of Lloyds Banking Group plc.
Notes: Approval may be given by the Chair or the Deputy Chair together with the Group Chief Executive or the Chief Financial Officer. Regulatory announcements that do not concern matters reserved to the Board and are not likely to be price sensitive in relation to the ordinary shares of LBG plc may be approved by the Chief Financial Officer. Approval of routine regulatory announcements concerning matters reserved to the relevant Board, circulars, prospectuses, listing particulars or press releases may be delegated by the relevant Board to the executive Disclosure Committee or, if appropriate, a suitably authorised Board Committee.
- 2.3 Approval of the appointment, dismissal or acceptance of the resignation of the **Chief Risk Officer** or equivalent. upon the recommendation of the relevant Board Risk Committee.
- 2.4 Review of the effectiveness of **stakeholder engagement mechanisms**, including workforce engagement.

3. Board Membership and Board Committees

- 3.1 Approval of the recommendation of the Nomination & Governance Committee of the process for the **annual performance evaluation** of the relevant Board and Board Committees (including the performance of individual directors). Review and agree actions for addressing any findings in the annual performance evaluation. Performance evaluation will be externally facilitated at least every three years.
- 3.2 Determination of **board structure, size and composition**, including appointments and removals on the recommendation of the Nomination & Governance Committee.
- 3.3 Assurance that **succession planning for the Board members**, including the Chair and Group Chief Executive, and for senior management is in place. The Nomination & Governance Committee reviews succession planning in respect of executive directors and senior management.

- 3.4 Approval/ratification of any changes in the **membership of the relevant Board Committees**, as recommended by the Nomination & Governance Committee, and submitted to the relevant Board at the next scheduled meeting and reviewed at least annually.
- 3.5 Determining 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 following the recommendations of the Nomination & Governance Committee.
- 3.6 Approval of the continuation in office of **directors seeking re-election** at the AGM following the recommendations of the Nomination & Governance Committee.

4. Structure, Capital & Transactions

- 4.1 Approval of material changes to the Group's and/or each Company's **corporate and organisational structure** ensuring that the structures are clear and transparent and appropriate to the business and risks of the Group and/or each Company and its component entities.
- 4.2 Approval of material changes to each Company's **capital structure**.
- 4.3 Approval of the basis for allocation of capital through the **annual capital plan**.
- 4.4 Approval of **issues of new ordinary shares** under prevailing shareholder authority.
- 4.5 Approval of **investments, acquisitions, mergers or disposals** of:
 - 4.5.1 Group companies and/or businesses where the consideration is in excess of £200 million or the book value is in excess of £1 billion;
 - 4.5.2 Assets of Group Companies (not including equity holdings) where the premium over or discount to book value is more than £200 million or the book value is in excess of £1 billion;
 - 4.5.3 **special purpose vehicles** used in structured transactions (including related guarantees and indemnities), exceeding £2 billion;
 - 4.5.4 **joint ventures** for a value more than £50 million
- 4.6 Approval of **intra group guarantees**, indemnities and securities either on a standalone basis or as part of a larger transaction for a value in excess of £100 million.
- 4.7 Approval of **equity investments and disposals** in non-Group entities (including related guarantees and indemnities) for a total cumulative value more than £100 million.

5. Remuneration

- 5.1 Approval of the overall **Remuneration Policy** and remuneration philosophy of the Company as recommended by the Remuneration Committee.
- 5.2 Approval of the **Chair's and Deputy Chair's remuneration** subject to the fees payable being agreed by the Remuneration Committee and recommended to the relevant Board for approval.
- 5.3 Approval of **Non-Executive Directors' remuneration** subject to fees payable being considered by the Chair and the executive directors and recommended to the relevant Board for approval.
- 5.4 Approval of material changes in **employee share schemes** subject to the recommendation of such changes by the Remuneration Committee.
- 5.5 Approval of policy relating to **Group pensions** and significant pension scheme issues, including closure and implementation of material schemes subject to the recommendation of such changes by the Remuneration Committee.

6. Corporate Governance/Delegation of Authority

- 6.1 Determination of the appropriate **corporate governance standards**, principles and corporate values (with regards to applicable laws and regulations) to be applied across each Company and the Group.

- 6.2 Approval of the **Corporate Governance Framework** and its annual review, including the matters reserved to the Board, Board Committees terms of reference and authority of the Group Chief Executive, as recommended by the Nomination & Governance Committee
- 6.3 Determination of the independence of Non-Executive Directors following the recommendation of the Nomination & Governance Committee.

7. Strategy and Management

- 7.1 Approval of the **Group's strategy and long-term objectives** and review of delivery of the strategy within the applicable legal and regulatory framework, taking into account including the Group's long-term value, financial interests, solvency and sustainable success. Such approval to be undertaken after consideration by the Boards of the Banks of the strategy as it relates to each Bank.
- 7.2 Approval of the **Group Medium Term Plan** and the annual budget and review of performance against plan. Such approval to be undertaken after consideration by the Board of each Bank of the Medium-Term Plan as it relates to each Bank.
- 7.3 **Challenge management**, discussing all strategic proposals, key risk policies and major operational issues.
- 7.4 Ensure that rigorous and robust processes are in place to **monitor organisational compliance** with the agreed strategy and risk appetite and with all applicable laws and regulation.
- 7.5 Establish a **culture** of customer focus (including treating customers fairly), risk awareness and ethical behaviours (through the Group values) and oversee its embedding within the Group by use of appropriate incentives, including remuneration.
- 7.6 **Assess and monitor culture** and where necessary seek assurance that management corrective action has been taken to ensure that the policy and behaviours are aligned to the purpose, values and strategy.

8. Risk Management

- 8.1 Ensure that the Group and/or each Company (as appropriate) **manages risk effectively** by: -
 - 8.1.1 approving the Group and/or each Company's **risk appetite**, (including the extent and categories of principal risk which the relevant Board regards as acceptable for the Group/Company to bear to achieve its long-term objectives);
 - 8.1.2 approving the Group and/or each Company's **risk management framework** setting out the procedures to manage risk;
 - 8.1.3 monitoring the Group and/or each Company's **aggregate risk exposures and risk/return**; and
 - 8.1.4 monitoring **emerging and principal risks**, through the review of all major risks, strategic and product areas, excess complexity and areas of over performance. Such a review is to include risks that may threaten the business model, future performance, solvency, liquidity or reputation of the Group and/or each Company, taking account of potential impact, probability and timescales over which they may occur.
- 8.2 Ensure that the executive management of the Group and/or each Company (as appropriate):
 - 8.2.1 establishes, maintains and implements appropriate systems to **plan and control group operations and risks** and to comply with relevant legislation and regulations; and
 - 8.2.2 provides regular and enough information to the relevant Board to enable it to comprehend fully the **major risks** and to discharge its monitoring duties in relation to these matters.
- 8.3 Annual review of the effectiveness of each Company's risk management and **internal control framework** systems.

- 8.4 Approval of the commencement or settlement of **material litigation** (in general those involving sums more than £100 million).
- 8.5 Approval of the settlement of material **regulatory proceedings** (in general those involving sums more than £100 million).

9. Policies/Codes

- 9.1 Approval of the **Share Dealing Code** for directors and Persons Dispensing Managerial Responsibilities (PDMRs).
- 9.2 Approval of the Group Governance Policy the Group Operational Risk Policy, Group Ring-Fencing Compliance Policy, the Board Diversity Policy as recommended by the Nomination & Governance Committee along with the Board Diversity Objectives and the Pillar III Disclosure Policy (as recommended by the Audit Committee).

10. Contracts & Agreements

- 10.1 Approval of **contracts** where the cost impact exceeds £200m.
- 10.2 Approval of any **contract outside the normal course of business**, which exposes the any company within the Group to **unlimited legal liability**. Contracts which expose the Group to unlimited legal liability, but which the Company Secretary or the relevant Group or Divisional Legal contact considers to be within the normal course of business, may be approved by the relevant GEC member (or the relevant authorising executive to whom this has been delegated). In the event of doubt, the contract should be submitted to the Group Chief Executive for approval.

11. Whistleblowing/Speak Up

- 11.1 Approval of the arrangements (through approval of the **annual report of the Whistleblowing Champion**) by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters including consideration of the procedures for: -
 - 11.1.1 the receipt, retention and treatment of complaints received by the Group regarding accounting, internal accounting controls or auditing matters; and
 - 11.1.2 the confidential submission by employees of the Group (which may be anonymous) of concerns on any matter, including those regarding questionable accounting or auditing matters.

The objectives of the report are to provide details of the cases that have been raised in the period and how they have been handled; to provide reassurance that effective arrangements are in place for the proportionate and independent investigation of such matters; and to provide reassurance that effective arrangements are in place for appropriate follow up action.

12. Other Matters

- 12.1 Approve, on the recommendation the Nomination & Governance Committee, any **conflict** in which a Director may have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Group.
- 12.2 Approval of policy governing **charitable and political donations**.
- 12.3 Reviewing and monitoring perceptions of Lloyds Banking Group by the **investing community and the media**.
- 12.4 Approval of the appointment of the Group's **main professional advisers** (other than the auditors) and their fees, where significant.