

# Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc Matters Reserved to the Boards

## 1. Overview

Certain matters are expressly reserved for the approval of each Board and cannot be delegated save as noted below - these matters are set out below.

Some decisions relating to Matters Reserved to the Boards which are time-critical and cannot wait until the next scheduled Board meeting may be taken by the relevant General Purposes Committee.

## 2. Role of the Boards

Alongside the Schedule of matters reserved to each Board, each Board has the responsibility to:

- promote and assess the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society;
- provide effective and entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enable risk to be assessed and managed;
- satisfy itself as to the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
- ensure that the necessary resources are in place for the Company to meet its objectives and measure management performance against them;
- challenge management, discuss all strategic proposals, key risk policies and major operational issues; and
- engage actively in the affairs of the Company, keep abreast of material changes in the Company's business and external environment and take action in a timely manner to protect the long-term interests of the Company.

To enable it to carry out its responsibilities, each Board:

- must be provided with timely, accurate, complete, relevant, robust and well targeted management information together with any necessary clear and transparent explanation to enable informed decisions and to allow effective oversight;
- must comprise an appropriate balance of skills, experience, independence and knowledge - at least half of the directors of each Board (excluding the Chair) should be Non-Executive Directors whom that Board considers to be independent (in accordance with the UK Corporate Governance Code).

## 3. Entities to which these Matters Reserved apply

Matters reserved apply to each of Lloyds Banking Group plc, Lloyds Bank plc and Bank of Scotland plc and, to the extent relevant, HBOS plc. Matters reserved which apply only to specific entities are headed accordingly.

## 4. Defined terms

Definitions used are those set out in the Corporate Governance Framework Board Authorities document:

- the "Company" means each of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc as appropriate;
- the "Group" means Lloyds Banking Group plc and its subsidiaries and associates from time to time; and
- the "Banks" means Lloyds Bank plc and Bank of Scotland plc.

## 5. Schedule of matters reserved

### A. Strategy, management and culture

- 1 **Lloyds Banking Group plc only:** Approval of the Group's strategy and long-term objectives (taking into account the Group's long-term value, financial interests, solvency and sustainable success) and review of delivery of that strategy within the applicable legal and regulatory framework, such approval to be provided after consideration of how such strategy relates to each of Lloyds Bank plc and Bank of Scotland plc
- 2 **Lloyds Banking Group plc only:** Approval of the Group Medium-Term Plan and annual budget and review of performance against that Plan within the applicable legal and regulatory framework, such approval to be provided after consideration of how such Group Medium-Term Plan relates to each of Lloyds Bank plc and Bank of Scotland plc

- 3 ***Lloyds Bank plc and Bank of Scotland plc only:** Approval of the Bank's strategy and long-term objectives (taking into account the Bank's long-term financial interests, solvency and sustainable success) and review of delivery of that strategy within the applicable legal and regulatory framework*
- 4 ***Lloyds Bank plc and Bank of Scotland plc only:** Approval of the Bank's Medium-Term Plan and annual budget and review of performance against that Plan*
- 5 Ensuring 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
- 6 Approval of any major change to the nature, scope or scale of the business of the Company (and in the case of Lloyds Banking Group plc only, the Group), including any decision to (i) cease to operate all or a substantial part of its business and (ii) enter into any strategically or commercially significant new business areas not forming part of its current activities from time to time
- 7 Establishment of the Company's (and in the case of Lloyds Banking Group plc only, the Group's) purpose and values and confirmation that these and its strategy are aligned with its culture by monitoring and assessing culture (seeking confirmation from management of any necessary corrective action where there has been misalignment)
- 8 Establishment and promotion of a culture of customer focus (including treating customers fairly), risk awareness and ethical behaviours through the Group values, and monitoring how that culture has been embedded within the Company (and in the case of ***Lloyds Banking Group plc only,*** the Group) by use of appropriate incentives, including remuneration, where necessary seeking assurance that management corrective action has been taken to ensure that the policy and behaviours are aligned to the purpose, values and strategy
- 9 By way of review of the annual report of the Whistleblowing (or Speak Up) Champion, ensure that arrangements are in place through which colleagues may, in confidence, raise concerns about possible improprieties, including in relation to financial reporting or other matters including consideration of the procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential submission by employees (which may be anonymous) of concerns on any matter, including those regarding questionable accounting or auditing matters
- 10 Ensuring that workforce policies and practices are consistent with the Group's values and support its long-term sustainable success

#### **B. Corporate structure and capital**

- 1 Approval of material changes to the Company's corporate and organisational structure with a view to ensuring that the structures are clear, transparent, and appropriate to the Company and its subsidiaries and associates from time to time
- 2 Approval of the Company's annual capital plan and associated capital allocations
- 3 Approval of material changes to the Company's capital structure
- 4 Approval of any issuance of shares, whether or not under prevailing shareholder authority (noting that, in the case of issuances under employee share schemes, such matters may be approved by the General Purposes Committee or the Group Remuneration Committee, as appropriate)
- 5 Approval of any interim dividend and recommendation of any final dividend (noting that such matters may be approved by the General Purposes Committee, when it is covering routine matters)
- 6 Approval of any material changes to the Company's securities listings
- 7 Approval of any change to the Company's status as a plc
- 8 ***Lloyds Banking Group plc only:** Approval and oversight of the implementation of key policies pertaining to the Company's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations, and the internal control system*

#### **C. Financial reporting, audit and tax**

- 1 Approval of the Company's interim and final financial and narrative statements along with associated press releases and analyst presentations (such approval to be given following recommendation by the Audit Committee, where applicable) (noting that approval of results announcements may be delegated to the General Purposes Committee)
- 2 Approval of the Company's annual report and accounts and, where necessary, Form 20-F (such approval to be given following review by the Audit Committee, where applicable)
- 3 Approval of any significant change in the Company's accounting policies or practices and noting of the accounting policies approved by the Audit Committee
- 4 Recommendation to shareholders of the appointment, reappointment or removal of the Company's external auditors, following the recommendation of the Audit Committee

## D. Risk and reputational issues

- 1 Carrying out a robust assessment of the Company's (or in the case of *Lloyds Banking Group plc only*, the Group's) principal and emerging risks at least annually, with the assistance of the Board Risk Committee, through the review of all major risks, strategic and product areas, excess complexity and areas of over performance (such review to include risks that may threaten the business model, future performance, solvency, liquidity or reputation of the Company (or in the case of *Lloyds Banking Group plc only*, the Group), taking account of the potential impact, probability and timescales over which they may occur)
- 2 Ensuring risk is managed effectively by:
  - Approving the Company's risk appetite (including the extent and categories of principal risk which the Board regards as acceptable for the Company to achieve its long-term objectives) (such approval to be given following recommendation by the Board Risk Committee)
  - Approving and reviewing on at least an annual basis the effectiveness of the Company's risk management and internal control framework, including oversight of the Company's adherence to risk policy and risk limits (such approval to be given following review by the Board Risk Committee)
  - Requiring that the Company maintains a robust finance function responsible for accounting and financial data
- 3 Ensuring that executive management:
  - Establishes, maintains and implements appropriate systems to plan and control the Company's operations and risk and to comply with relevant legislation and regulations
  - Provides regular and sufficient information to the Board to enable it to comprehend fully the major risks and to discharge its monitoring duties in relation to such matters
- 4 Approval of the appointment, dismissal or acceptance of the resignation of the Chief Risk Officer upon the recommendation of the Board Risk Committee
- 5 Approval of the commencement or settlement of material litigation – this comprises any proceedings involving sums over £100m, any matter with significant reputational impact (see D7 below) or any other matter deemed to be material by the Group<sup>1</sup>
- 6 Approval of the commencement or settlement of material regulatory proceedings – this comprises any proceedings which may involve sums over £100m, any matter with significant reputational impact (see D7 below) or any other matter deemed to be material by the Group<sup>2</sup>
- 7 Approval of any matter which could reasonably be expected to have a material effect on the reputation or standing of the Company or the Group
- 8 Approval of any operational risk losses (excluding financial accounting adjustments) with a value of £100m or more

## E. Governance

- 1 Oversight of implementation of the Company's (or in the case of *Lloyds Banking Group plc only*, the Group's) corporate governance framework and periodic review of it to ensure that it remains appropriate considering any material changes to the Company's (or in the case of *Lloyds Banking Group plc only*, the Group's) size, complexity, geographical footprint, business strategy, markets and regulatory requirements, following any recommendation of the Nomination and Governance Committee
- 2 Determination of the appropriate corporate governance standards, principles and values to be applied to the Company (or in the case of *Lloyds Banking Group plc only*, the Group), having regard to applicable laws and regulations (such determination to be made following recommendation by the Nomination and Governance Committee)
- 3 Establishment of Committees of the Board and approval of the terms of reference of those Committees (in each case, following recommendation by the Nomination and Governance Committee)
- 4 Annual review of membership of Committees of the Board (including any changes as recommended by the Nomination and Governance Committee)
- 5 Annual review and approval of the Corporate Governance Framework (incorporating the matters reserved to the Boards, terms of reference of the Board Committees and authority of the Group Chief Executive), as recommended by the Nomination and Governance Committee
- 6 Implementation, and review of the effectiveness of, stakeholder engagement mechanisms, including workforce engagement (following presentation on workforce engagement from the Responsible Business Committee)
- 7 *Lloyds Banking Group plc only*: Approval of the Share Dealing Policy

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<sup>1</sup> Materiality will be assessed in light of the Group Impact Likelihood Matrix.

<sup>2</sup> Materiality will be assessed in light of the Group Impact Likelihood Matrix.

- 8 Lloyds Banking Group plc only: Approval of the:
- Group Governance Policy
  - Group Operational Risk Policy
- 9 Lloyds Banking Group plc, Lloyds Bank plc and Bank of Scotland plc only: Approval of the:
- Group Ring-Fencing Compliance Policy
  - Board Diversity Policy and Board Diversity Objectives (in each case, following the recommendation of the Nomination and Governance Committee)
  - Pillar3 Disclosure Policy (following the recommendation of the Audit Committee)
- 10 Lloyds Bank plc and Bank of Scotland plc only: Consideration of whether there are any potential RFB Conflict Matters raised directly or escalated through the Conflict of Interests procedures (as set out in the Group Compliance Policy) and seeking to resolve any such RFB Conflict Matters
- 11 Lloyds Bank plc and Bank of Scotland plc only: Determination of any matter which the Banks' Risk Officer has escalated to the Bank's Risk Committees, seeking to veto the Chief Risk Officer

#### F. Communications and regulatory requirements

- 1 Approval of resolutions and associated documentation to be put before shareholders at a general meeting
- 2 Approval of shareholder circulars, prospectuses, listing particulars and other documents sent to shareholders (save that approval of routine circulars, prospectuses, listing particulars and other documents sent to shareholders may be delegated by the Board to the executive Disclosure Committee or, if appropriate, the General Purposes Committee)
- 3 Approval of announcements or press releases concerning matters reserved to or to be decided by the Board
- 4 Lloyds Banking Group plc only: Approval of announcements which contain inside information in relation to the ordinary shares of Lloyds Banking Group plc and analysts' presentations (save that approval may be delegated to the General Purposes Committee)

#### G. Directors and senior employees

- 1 Determination of Board structure, size and composition, including appointments and removals, following the recommendation of the Nomination and Governance Committee, to ensure that the Board can carry out its responsibilities and facilitate effective oversight with an appropriate balance of skills, experience, independence and knowledge
- 2 Determination of the independence of Non-Executive Directors in accordance with the UK Corporate Governance Code (or other relevant applicable code or principles), following the recommendation of the Nomination and Governance Committee
- 3 Oversight of succession planning for Board members and senior management, as designed and implemented by the Nomination and Governance Committee
- 4 Determination of the role (including capabilities and time commitment) of the Chair, Deputy Chair, Senior Independent Director, Non-Executive Directors, Group Chief Executive and Executive Directors, following the recommendation of the Nomination and Governance Committee
- 5 Approval or ratification of any changes in the membership of the relevant Board Committees, following recommendation by the Nomination and Governance Committee and as submitted to the relevant Board at the next scheduled meeting and reviewed at least annually
- 6 Authorisation of directors' conflicts or potential conflicts of interest, following the recommendation of the relevant Nomination and Governance Committee
- 7 Approval of the annual performance evaluation process for the Board, the Board Committees and individual directors, following the recommendation of the Nomination and Governance Committee,<sup>3</sup> and review and approval of any actions arising from such evaluation
- 8 Approval of the selection, and oversight of the performance, of the Group Chief Executive, key members of senior management and heads of the Company's control functions
- 9 Approval of the appointment, removal or acceptance of the resignation of the Chief Risk Officer or equivalent, following recommendation of the relevant Board Risk Committee
- 10 Approval of the appointment, removal or acceptance of the resignation of the Company Secretary

<sup>3</sup> The performance evaluation of each of Lloyds Bank plc and Bank of Scotland plc must 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 must be externally facilitated every three years.

- 11 **Lloyds Banking Group plc only:** Approval of any matters relating to the continuation in office of any director at any time (including when seeking re-election by shareholders), following the recommendation of the Nomination and Governance Committee

#### H. Remuneration

- 1 Approval of the overall remuneration policy and remuneration philosophy, following the recommendation of the Group Remuneration Committee
- 2 **Lloyds Banking Group plc only:** Approval of the remuneration of each of the Non-Executive Directors (including the Deputy Chair) for services provided to the Group other than to the Banks, subject to fees payable being considered by the Chair and the Group Chief Executive and recommended to the Board for approval
- 3 **Lloyds Bank plc and Bank of Scotland only:** Approval of the remuneration of each of the RFB-Only NEDs and of each of the Non-Executive Directors (including the Deputy Chair) in respect of services provided to the Banks, subject to fees payable being considered by the Chair and the Group Chief Executive and recommended to the Board for approval
- 4 **Lloyds Banking Group plc only:** Approval of the adoption of, and any material changes to, the Group's employee share schemes, following the recommendation of the Group Remuneration Committee and subject to obtaining shareholder approval, where required
- 5 **Lloyds Banking Group plc only:** Approval of the policy relating to Group pensions and significant pension scheme issues (including implementation and closure of material schemes), following the recommendation of the Group Remuneration Committee

#### I. Transactions, contracts and agreements

- 1 Approval of any acquisition, merger or disposal of:
- equity investments in any entity which, before such acquisition, merger or disposal, is, or (in the case of an acquisition or merger) will become, a subsidiary<sup>4</sup> or associate<sup>4</sup> of the Company where the total consideration payable exceeds £200m or the book value exceeds £1bn
  - assets of any entity which, before such acquisition, merger or disposal, is a subsidiary<sup>4</sup> or associate<sup>4</sup> of the Company where the premium over, or discount to, book value exceeds £200m or the book value exceeds £1bn
  - investments in special purpose entities used in structured transactions where the Group's total exposure (including related guarantees and indemnities) exceeds £2bn
  - joint ventures where the Group's total exposure exceeds £50m
- 2 Approval of any acquisition or disposal of equity investments in any entity which, before such acquisition or disposal, is not a subsidiary<sup>4</sup> or associate<sup>4</sup> of the Company (including related guarantees and indemnities) for an aggregate value of more than £100m over any 12 month period
- 3 Approval of intra-group guarantees, indemnities or grants of security (whether on a standalone basis or as part of a transaction) for a value exceeding £100m
- 4 Approval of contracts where the cost impact over the life of any such contract exceeds £200m (excluding VAT)
- 5 Approval of any contract, guarantee, security or indemnity outside the normal course of business which exposes any company in the Group to unlimited legal liability<sup>5</sup>

#### J. Other

- 1 Approval of any changes to these matters reserved
- 2 **Lloyds Banking Group plc only:** Approval of the policy governing charitable and political donations
- 3 **Lloyds Banking Group plc only:** Review and monitoring of perceptions of the Group by the investing community and the media
- 4 **Lloyds Banking Group plc only:** Approval of the Group's main professional advisers (other than the external auditors, whose fees are (subject to shareholder approval) approved by the Audit Committee) and their fees, where material

**This schedule of matters reserved became effective as of 31 May 2022.**

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<sup>4</sup> As defined in the Companies Act 2006.

<sup>5</sup> Contact the relevant Group or Divisional Legal contact to ascertain whether a contract is within the normal course of business. Any contract which is determined to be within the normal course of business may be approved by the relevant Group Executive Committee member (or the relevant authorising executive to whom this has been delegated), subject to the cost impact threshold above.