

# 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; and that the General Purposes Committee may make further onward delegation, in its discretion, to such other persons / functions as it may specify)
- 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 (including the matter referred to at E.6 below) and accounts and, where necessary, Form 20-F, such approval to be given following review by the Audit Committee, where applicable (noting that, where approval in principle is given by the Board, approval of certain matters of detail may be delegated to any one director or any specially constituted committee of directors for such purpose)

- 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 risk management control framework, including oversight of the Company's adherence to risk policy and risk limits (such approval to be given following review and recommendation 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 Approvals of the types set out under the heading 'Risk and reputational issues' in the table at I. 'Approval of certain Risk and Reputational Issues; Group's employee share schemes; and any transactions and agreements' below.

#### 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 approval of any changes 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 [Lloyds Banking Group plc only](#): Consideration of the views of the Company's key stakeholders and description in the annual report of how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making; and review of stakeholder engagement mechanisms, including workforce engagement (following presentation on workforce engagement from the Responsible Business Committee), so that they remain effective.
- 7 [Lloyds Banking Group plc only](#): Approval of the:
  - Group Governance Policy
  - Group Operational Risk Policy
- 8 [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)
- 9 **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.
- 10 **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)
- 5 In connection with the Bank for International Settlements Basel Accord – Basel II – Pillar 3, approval for publication of the Group's (in the case of the Group Committee) or Bank's (in the case of each of the Banks' Committees) periodic Pillar 3 reporting, following recommendation from the Audit 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 of any changes in the membership of the relevant Board Committees, following recommendation by the Nomination and Governance Committee
- 6 Authorisation of directors' conflicts or potential conflicts of interest, following the recommendation of the relevant Nomination and Governance Committee (such authorisation taking the form of ratification in the event of a deemed earlier authorisation having arisen as a consequence of no objection being raised by Board members following a notification by the Nomination and Governance Committee in circumstances of an imminent appointment or extension pursuant to 6.H.2 of the Committee's Terms of Reference).
- 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>1</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
- 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, as indicated in the table at I. 'Approval of certain Risk and Reputational Issues; Group's employee share schemes; and any transactions and agreements' below
- 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, as indicated in the table at I 'Approval of certain Risk and Reputational Issues; Group's employee share schemes; and any transactions and agreements' below.

**I. Approval of certain Risk and Reputational Issues; Group's employee share schemes; and any transactions and agreements**

Approval of certain Risk and Reputational Issues; Group's employee share schemes; and any transactions and agreements (including related agreements<sup>6</sup>) to be entered into by the Company or any of its Group Legal Entities relating to an activity type and exceeding the limit specified in the table below and in the footnotes:

<b>Activity Type</b>	<b>Limit (excluding VAT, if applicable) beyond which Matter is Reserved to Board</b>
<b>Risk and Reputational Issues</b>	
Commencement / settlement of material litigation <sup>2</sup>	£100m, or involving significant reputational impact on, or deemed material <sup>2</sup> to, the Group
Commencement / settlement of material proceedings <sup>2</sup>	£100m, or involving significant reputational impact on, or deemed material <sup>2</sup> to, the Group
Any matter which could reasonably be expected to have a material <sup>2</sup> effect on the reputation or standing of the Company or the Group	£0
Operational risk losses (excluding financial accounting adjustments)	£100m
<b>Employee Share Schemes</b>	
Adoption of, and any material changes <sup>3</sup> to the Group's employee share schemes	£0
<b>Pensions</b>	
Policy relating to Group pensions and significant pension scheme issues (including implementation and closure of material schemes <sup>4</sup> )	£0
<b>Other</b>	
Payments related to tax matters (to HMRC or other tax authority)	£500m
Entry into any obligation relating to any letter of credit (or similar) facility provided to the Company, requiring the Company or any of its Group Legal Entities to either provide cash cover to the issuer of such letter of credit (or similar) facility or allow to be registered any security (or similar) interest against the Company (whether in the companies register maintained by the registrar of companies or some other public register)	£0
<b>Transactions and agreements<sup>6</sup></b>	
<b>A. involving</b>	
(i) limited legal liability for the Company or any of its Group Legal Entities; or	
(ii) an indemnity (or similar arrangement, including any guarantee, to be given by the Company or any of its Group Legal Entities which is not a class 1 transaction pursuant to Listing Rule 10.2.4R(1) <sup>5</sup> ; or	
(iii) unlimited liability (in whatever form) for the Company or any of its Group Legal Entities but which is within the bounds of common market practice <sup>7</sup>	
1. Acquisitions/Mergers/Disposals in relation to Group Legal Entities (including the actual or estimated potential cost to the Group of related guarantees, securities and indemnities, whether given by a third party or by any of its Group Legal Entities) (but excluding <i>Intra</i> -Group Activity)	
- Direct or indirect equity interests in any Group Legal Entity which, before such acquisition, merger or disposal, is a subsidiary <sup>8</sup> or associate <sup>8</sup> of the Company	£200m <sup>6</sup> ; or, in relation to book value, £1bn <sup>6</sup>

- Assets of (not including direct or indirect equity interests in) any Group Legal Entity which, before such acquisition, merger or disposal, is a subsidiary <sup>8</sup> or associate <sup>8</sup> of the Company:	In relation to premium over, or discount to, book value, £200m <sup>6</sup> ; or, in relation to actual book value, £1bn <sup>6</sup>
- Investments in Special Purpose Entities used in structured transactions (e.g. securitisations)	£2bn <sup>6</sup>
- Investments in joint ventures	£50m <sup>6</sup>
<b>2. Acquisitions/Mergers/Disposals in relation to Non-Group Legal Entities (including the actual or estimated potential cost to the Group of related guarantees, securities and indemnities, whether given by a third party or by any Group Legal Entity) (but excluding Intra -Group Activity)</b>	
- Direct or indirect equity interests in non-Group Legal Entities, where the Group does not act as the investment manager	£100m (over any 12 month period) <sup>6</sup>
- Direct or indirect equity interests in non-Group Legal Entities which are investment vehicles involving third-party investors, where the Group also acts as the investment manager	£100m (over any 12 month period) <sup>6</sup>
<b>3. Provision / Receipt of Goods, Services, Licences etc (but excluding Intra -Group Activity)</b>	
- All	In relation to the expected cost impact over the life of the agreement (including contractual liability for breach by the Company or any of its Group Legal Entities), £200m <sup>6</sup>
<b>4. Intra-Group Activity</b>	
- Acquisitions/Mergers/Disposals or Provision/Receipt of Goods, Services, Licences etc (including the actual or estimated potential cost to the Group of related guarantees, securities and indemnities, whether given by a third party or by any Group Legal Entity)	£300m <sup>6</sup>
- Acquisitions/Mergers/Disposals or Provision/Receipt of Goods, Services, Licences etc (where there are no related guarantees, securities and indemnities)	£200m <sup>6</sup>
- Guarantees/indemnities/grants of securities not related to any Acquisition/Merger/Disposal or Provision/Receipt of Goods, Services, Licences etc	£100m <sup>6</sup>
<b>B. involving</b>	
<b>(i) an indemnity or similar arrangement, including any guarantee, to be given by the Company or any of its Group Legal Entities which is a class 1 transaction for the purposes of Listing Rule 10.2.4.R(1); or</b>	
<b>(ii) unlimited liability (in whatever form) for the Company or any of its Group Legal Entities and is not within the bounds of common market practice<sup>7</sup></b>	
<b>1. Acquisitions / Mergers / Disposals / Provision or Receipt of Goods, Services, Licences etc</b>	
- All	£0

Footnotes/Definitions:

1. 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.

2. Materiality will be assessed by the relevant Group or Divisional Legal contact in light of the Group's One RCSA: Impact Likelihood Matrix.

3. Material changes / decisions for this purpose are closure or implementation of new schemes; funding and collateral arrangements; investment and hedging strategy; risk appetite for all pension schemes; changes to pensions strategy which impact other matters reserved to the Boards. All other changes / decisions are non-material changes / decisions.

4. Material schemes are those with Group Statutory Pensions Liability over £1bn. For the avoidance of doubt this means: Lloyds Bank Pension Scheme No.1, Lloyds Bank Pension Scheme No.2 and HBOS Final Salary Pension Scheme. (All schemes within the Group other than material scheme are non-material schemes.)

5. A class 1 transaction as defined or interpreted in accordance with Rule 10.2.4R(1) of the Listing Rules contained in the FCA's Handbook of Rules and Guidance. For the sake of clarification, a proposal for LBG plc or any of its subsidiary undertakings to enter into an indemnity (or similar arrangements, including guarantees) with a third party (i.e. other than a wholly owned subsidiary undertaking) ("Third-Party Liability"), will be treated as a class 1 transaction, pursuant to Listing Rule 10.2.4R(1), if (a) it is



exceptional and (b) the maximum liability to the other party is either unlimited or is equal to or exceeds 25% of the average of the group's profits for the last three financial years). If the Third-Party Liability is treated as a class 1 transaction, this will trigger the requirement for the company to issue an explanatory circular to its shareholders and gain their prior approval for the transaction in a general meeting. In assessing whether a transaction is in the ordinary course of a company's business, the FCA will have regard to the size and incidence of similar transactions which the company has entered into. The FCA may determine that a transaction is not in the ordinary course of business because of its size or incidence. However, the FCA considers a number of indemnities not to be exceptional, including those customarily given in connection with sale and purchase agreements, those customarily given to underwriters or placing agents in an underwriting or placing agreement, those given to advisers against liabilities to third parties arising out of providing advisory services and any other indemnity that is specifically permitted to be given to a director or auditor under the Companies Act 2006. The requirements summarised above should be interpreted in accordance with the requirements of the Listing Rules from time to time.

<sup>6</sup> A series of inter-related transactions and agreements (including related guarantees, securities and indemnities) should be considered together.

<sup>7</sup> Where any contractual provision creates unlimited liability in any respect for the Company or any of its Group Legal Entities, the overall contractual arrangement shall be considered to be in excess of the limit specified. However, this will not apply if the Authorised Business Executive (being the person who has authority under the Financial Delegated Authorities or the relevant Business Unit policy to approve the entry into the contract in question) and the relevant Group Legal function contact deem that the circumstances and scope of any such unlimited liability fall within the bounds of common market practice in the context of that agreement. In that case, the Authorised Business Executive can authorise the transaction or agreement within their level of delegated authority, as though such unlimited liability did not exist:

<sup>8</sup> As defined in the Companies Act 2006.

#### 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 28 March 2024.