

**LLOYDS BANKING GROUP PLC
NOMINATION AND GOVERNANCE COMMITTEE
TERMS OF REFERENCE**

These terms of reference are for the Nomination and Governance Committee (the “Committee”) of the Board of Lloyds Banking Group plc.

1. SCOPE

1.1 PURPOSE

- 1.1.1 To keep the Board’s governance arrangements under review and to make appropriate recommendations to the Board to ensure that the Company’s arrangements are consistent with corporate governance standards and best practice; and
- 1.1.2 To assist the Chairman in keeping the composition of the Board under review and to lead the appointments process for nominations to the Board.

1.2 AUTHORITY

The Committee is a committee of the Board of the Company. The Committee is authorised by the Board to:-

- 1.2.1 investigate any activity within its terms of reference and have such direct access to the resources of the Group as it may reasonably require;
- 1.2.2 seek any information that it requires from any employee, and all employees are directed to co-operate with any request made by the Committee; and
- 1.2.3 engage outside legal or other independent professional advisers and obtain appropriate funding for the payment of relevant fees and expenses.

The Committee may delegate all or any of its responsibilities to one or more sub-committees including one established solely for that purpose.

1.3 CORPORATE GOVERNANCE STANDARDS

In discharging its responsibilities, the Committee shall have regard to established and evolving best practice corporate governance standards including, where relevant, standards set by voting agencies and voluntary codes. Where departure from the requirements of these standards or codes including the UK Corporate Governance Code is required or believed to be appropriate, the Committee shall recommend to the Board the appropriate explanation or justification or use as required in the Company’s external disclosures.

RESPONSIBILITIES

The responsibilities of the Committee shall be to:-

- 2.1 oversee the Board’s governance arrangements both internal and external, to ensure that they pay due regard to best practice principles and remain appropriate for a group of the size and complexity of Lloyds Banking Group;
- 2.2 monitor and make recommendations to the Board on board governance issues including the establishment of appropriate policies and practices to enable the Board to operate effectively and efficiently. In this regard, the Committee will review the Group’s Corporate Governance Framework at least annually and recommend any changes to the Board;

- 2.3 review and recommend to the Board the appropriate structure, size and composition of the Board, having regard to the balance of skills, experience, independence, knowledge and leadership needs (including the need to work effectively and collaboratively as a team, unified in support of the Group's strategy) of the Company and the need for effective succession planning based on merit, objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- 2.4 lead the formal, rigorous and transparent Board appointment process for new directors, establishing appropriate selection criteria and recommending suitable candidates to the Board. In doing so, the Committee should engage a broad set of qualities and competences when recruiting members to the Board and for that purpose put in place a policy, based on merit and objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths on the Board. The Committee shall oversee the development of a diverse succession pipeline. Where appropriate, the Committee shall delegate the selection/nomination process to a sub-committee established specifically for that purpose. The Committee should evaluate the balance of skills, experience, independence and knowledge on the Board, assess the time commitment required and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- 2.5 recommend to the Board a Board Diversity Policy and Board Diversity Objectives (for all aspects of diversity not just gender, ethnicity, social background, cognitive and personal strengths) and undertake an annual review of the Board Diversity Policy and Board Diversity Objectives incorporating a target for the representation of the underrepresented gender in the management body and the policy on how to increase the number of the underrepresented gender in the management body in order to meet that target;
- 2.6 agree the terms and conditions applicable to the appointments of non-executive directors of the Company (including the Chairman of the Board). For the avoidance of doubt, this does not extend to the fees payable to non-executive directors, which:
 - 2.6.1 in the case of the Chairman and Deputy Chairman, shall be proposed by the Remuneration Committee and recommended to the Board for approval; and
 - 2.6.2 in the case of all other non-executive directors, shall be proposed by the Chairman and Group Chief Executive and recommended to the Board for approval;
- 2.7 approve the appointments of non-executive directors of the Company as a director or chairman of any subsidiary company;
- 2.8 approve the appointment of directors to those subsidiaries identified by the Committee as material, where the Group Chief Executive will provide a recommendation to the Committee in relation to the nomination of executive directors. Note the subsidiaries that have been identified as material as at 28 November 2018 are the Insurance Board companies: Scottish Widows Group Limited, Scottish Widows Limited, Lloyds Bank General Insurance Limited, St Andrew's Insurance plc, Scottish Widows Financial Services Holdings, Lloyds Bank General Insurance Holdings Limited; together with Lloyds Bank plc; Bank of Scotland plc; HBOS plc and Lloyds Bank Corporate Markets plc;
- 2.9 make recommendations to the Board regarding the independence of non-executive directors, the re-appointment or re-election of directors and the suitability of any director to continue in office, having regard to their individual performance and the balance of skills required on the Board;

- 2.10 make recommendations to the Board regarding the role, including capabilities and time commitment, of the Chairman, Deputy Chairman, Senior Independent Director, non-executive directors, the Group Chief Executive and executive directors;
- 2.11 keep membership of Committees under review, agreeing appropriate changes to Committee membership and notifying the Board of changes in the chairmanship or membership of individual Committees for formal ratification at least annually. The Chairman of the Audit Committee is to be approved by the Audit Committee following the recommendation of the Nomination and Governance Committee;
- 2.12 oversee the formal and rigorous annual evaluation of the Board (including the performance and contribution of individual directors, diversity of the Board as a whole and the effectiveness of its members working together to achieve objectives as required) and its Committees and review with the Board the results of these assessments, recommending actions for addressing any findings and overseeing the implementation of any resulting action plan. In addition, hold a meeting (excluding the Chairman) to agree the Chairman's objectives and performance;
- 2.13 periodically, and at least annually, assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- 2.14 periodically, and at least annually, assess the knowledge, skills and experience of individual members of the Board and of the Board collectively, and report this to the Board;
- 2.15 conduct an annual review of the adequacy of succession arrangements for executive directors, other members and attendees of the Group Executive Committee and their respective direct reports, and the Company Secretary. The Committee will do so by ensuring the policy for selection and appointment of senior executives is appropriate - based on merit, objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths - and that senior executives have the right skills, values, attitude and energy essential to success;
- 2.16 monitor developing trends, initiatives or proposals in relation to board governance issues in the UK and elsewhere in order to determine the extent to which such initiatives impact the Company and make recommendations to the Board on any changes to be implemented;
- 2.17 approve trustee appointments and re-appointments to the Lloyds Foundations and the Bank of Scotland Foundation, notifying the Board of changes at least annually;
- 2.18 review and approve the annual Corporate Governance Report for inclusion in the Company's annual report and accounts;
- 2.19 at least annually, or at the request of the Board at any time, review and approve the Terms of Reference of this Committee and all the Committees of the Board, to ensure that they remain appropriate and fit for purpose, and to recommend to the Board any changes considered necessary or desirable;
- 2.20 at least annually, review the effectiveness of the Committee, and to report to the Board thereon; and

2.21 in performing its duties, and to the extent possible, on an ongoing basis, take account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interest of the Company as a whole.

3. MEMBERSHIP

3.1 MEMBERSHIP

Members of the Committee shall be appointed by the Board, on the recommendation of the Chairman. Members shall comprise a majority of independent non-executive directors and shall include:-

- the Chairman of the Board;
- the Deputy Chairman of the Board; and
- the SID.

3.2 CHAIRMAN¹

The Committee shall be chaired by the Chairman of the Board. In the Chairman's temporary absence, one of the other Committee members nominated by the Chairman or elected by the members of the Committee will act as Chairman. The Chairman should not chair the meeting when it is dealing with the succession of the chairman.

The Chairman's primary responsibility is to chair and oversee the performance of the role of the Committee. The Chairman's other responsibilities include:-

- ensuring that the Committee meets with sufficient frequency;
- fostering an open, inclusive discussion which challenges executives, where appropriate;
- ensuring that the Committee devotes sufficient time and attention to the matters within its remit;
- helping to ensure that the Committee and its members have the information necessary to its members and the completion of their tasks;
- reporting to the Board on the Committee's activities;
- facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- safeguarding the independence and overseeing the performance of the Committee;
- ensuring that the regulatory requirements in relation to the Committee are satisfied; and
- engaging with stakeholders, including the PRA, FCA and principal shareholders, on behalf of the Committee.

3.3 ATTENDEES

Only members have the right to attend meetings. The Committee may invite such other attendees as it deems necessary to fulfil its duties as set out above.

¹ The Chairman 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 requires approval by the PRA/FCA.

3.4 QUORUM

The quorum for the Committee will be three members, one of which should be the Chairman or the Senior Independent Director.

4. COMMITTEE MANAGEMENT

4.1 SECRETARY

The secretary to the Committee shall be the Company Secretary or their nominee.

4.2 PAPERS/AGENDA

Group Secretariat will support the Chairman in managing the business of the Committee. The agenda and papers will be circulated to all members of the Committee at least 4 working days before the meeting. Such circulation of agenda and papers may be in paper or electronic format as preferred.

4.3 MINUTES/REPORTING

The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings will be circulated promptly to all members of the Committee, and the Committee Chairman will report formally to the Board on the Committee's proceedings.

The minutes of the meeting will clearly identify the issues being considered as discussed by the meeting and any RFB Conflict Matter and any action to be taken in relation to any potential RFB Conflict Matter.

4.4 FREQUENCY

The Committee shall meet as often as is necessary to fulfil its responsibilities but not less than twice a year.

5. TERMS OF REFERENCE

5.1 REVIEW REQUIREMENTS

These terms of reference are drafted, maintained and amended (as necessary) by Group Secretariat and require to be approved by the Board. These terms of reference are subject to review at least annually or as required by the Board.

5.2 APPROVAL

These Terms of Reference were approved by the Board of the Company on 28 November 2018.

**LLOYDS BANK PLC AND BANK OF SCOTLAND PLC
NOMINATION COMMITTEE
TERMS OF REFERENCE**

These terms of reference are for the Nomination Committees (the “Committee”) of the Boards of Lloyds Bank plc and Bank of Scotland plc. References to the Board are to the Board of Lloyds Bank plc and Bank of Scotland plc as appropriate. References to Company and Bank are to each of Lloyds Bank plc and Bank of Scotland plc as appropriate.

Where necessary or appropriate the terms of reference set out any aspect unique to either Lloyds Bank plc or Bank of Scotland plc.

1. SCOPE

1.1 PURPOSE

The Nomination Committee is responsible for reviewing and making recommendations to the Board on the composition of the Banks Board and its Committees, taking into account the principles, policies and governance requirements of Lloyds Banking Group and the recommendations of the Group Nomination and Governance Committee:

1.2 AUTHORITY

The Committee is a committee of the Board of the Company. The Committee is authorised by the Board to:-

- 1.2.1 investigate any activity within its terms of reference and have such direct access to the resources of the Group as it may reasonably require;
- 1.2.2 seek any information that it requires from any employee, and all employees are directed to co-operate with any request made by the Committee; and
- 1.2.3 engage outside legal or other independent professional advisers and obtain appropriate funding for the payment of relevant fees and expenses.

The Committee may delegate all or any of its responsibilities to one or more sub-committees including one established solely for that purpose.

2. RESPONSIBILITIES

The responsibilities of the Committee shall be to:-

- 2.1 Review and make recommendations to the Board of the Bank on the composition of the Board of the Bank and its Committees and on such other matters on which the Board of the Bank relies on recommendations from the Committee in accordance with the matters reserved for the Board of the Bank;
- 2.2 Perform such other duties as may be prescribed for nomination committees by the Regulators of the Bank; and
- 2.3 In performance of its duties, review (and, if considered appropriate by the Committee, recommend to the Board of the Bank) the recommendations of the Group Nomination and Governance Committee always taking into account the principles, policies and governance requirements of the Group.

3. MEMBERSHIP & ATTENDANCE

3.1 MEMBERSHIP

Members of the Nomination Committee shall be appointed by the Board of the Bank on the recommendation of the Committee. Members shall be independent non-executive directors and at least one shall be a Bank Only NED.

Each of the Bank Only NEDs may appoint an alternate (who must be a Bank Only NED) to attend a meeting the Committee on his/her behalf. In exceptional circumstances where a Bank Only NED or his/her alternate cannot attend the Board or Committee meeting the Chairman will, in so far as possible, seek to obtain the views of the Bank Only NED on any potential RFB Conflict Matter which is to be considered at that meeting, in so far as possible, also ensuring that the PRA is notified should such a situation arise.

3.2 CHAIRMAN²

The Chairman of the Committee shall be appointed by the Board and will be an independent Non-Executive Director. The role of the Chairman may be held by the Chairman of the Lloyds Banking Group Nomination and Governance Committee. In the Chairman's temporary absence, one of the Committee members nominated by the Chairman or elected by the other members of the Committee will act as chairman.

The Chairman's primary responsibility is to chair and oversee the performance of the role of the Committee. The Chairman's other responsibilities include:

- ensuring that the Committee meets with sufficient frequency;
- fostering an open, inclusive discussion which challenges executives, where appropriate;
- ensuring that the Committee devotes sufficient time and attention to the matters within its remit;
- helping to ensure that the Committee and its members have the information necessary to its and their tasks;
- reporting to the Board of the Bank on the Committee's activities;
- facilitating the running of the Committee to assist it in providing independent oversight of executive decisions;
- safeguarding the independence and overseeing the performance of the Committee;
- ensuring that the regulatory requirements in relation to the Committee are satisfied;
- and
- reporting to the Group Nomination and Governance Committee at the request of the Chairman of the Group Nomination and Governance Committee, on matters with the responsibility of the Nomination Committee and escalating matters to the Group Nomination and Governance Committee as appropriate.

3.3 ATTENDEES

Only members and alternates have the right to attend meetings. The Committee may invite such other attendees as it deems necessary to fulfil its duties as set out above.

² In relation to discharging this role for the SMCR Entities, the Chairman is a Senior Manager for the purposes of the SMCR. This will require prior approval of the individual by the PRA/FCA.

3.4 QUORUM

The quorum for meetings of the Committee shall be any three members.

4. COMMITTEE MANAGEMENT

4.1 SECRETARY

The secretary to the Committee will be the Company Secretary or their nominee.

4.2 PAPERS/AGENDA

Group Company Secretariat will support the Chairman in managing the business of the Committee. The agenda and papers will be circulated to all members of the Committee at least 4 working days before the meeting. Such circulation of agenda and papers may be in paper or electronic format as preferred.

Where appropriate relevant agenda items and meeting papers will be clearly identified as being for consideration by the relevant Committee of the appropriate entity. Active consideration will be given to the distribution of meeting papers, to ensure that the correct papers are provided to the relevant Board and Committee members.

4.3 MINUTES

The secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings will be circulated promptly to all members of the Committee, and the Committee chairman will report formally to the Board on the Committee's proceedings.

The minutes of each meeting will be produced as separate documents and will clearly identify the issue being considered as discussed by the meeting(s), any potential RFB Conflict Matter and any action to be taken (in particular escalation) in relation to any potential RFB Conflict Matter.

4.4 FREQUENCY

The Committee shall meet as often as is necessary to fulfil its responsibilities and at least twice a year the Committee shall meet to consider matters that relate to the Bank alone.

5. TERMS OF REFERENCE

5.1 REVIEW REQUIREMENTS

These terms of reference are drafted and amended (as necessary) by the Company Secretary and require to be approved by the Board. These terms of reference are subject to review annually by the Nomination Committee or as required by the Board taking into account, in both cases, recommendations made by the Group Nomination and Governance Committee.

5.2 APPROVAL

These Terms of Reference were approved by the Board of the Company on 18 December 2018.