Reconciliation between statutory and underlying basis financial information

Statutory basis		Removal of:		Underlying basis[A]	
2023	£m	Volatility and other items[1,2] £m	Insurance gross up[3] £m	£m	
Net interest income	**13,298**	**479**	**(12)**	**13,765**	Underlying net interest income
Other income, net of net finance income (expense) in respect of insurance and investment contracts	**5,331**	**(447)**	**239**	**5,123**	Underlying other income
		(956)	**–**	**(956)**	Operating lease depreciation
Total income, after net finance income (expense) in respect of insurance and investment contracts	**18,629**	**(924)**	**227**	**17,932**	**Net income**
Operating expenses[4]	**(10,823)**	**1,235**	**(227)**	**(9,815)**	Total costs
Impairment charge	**(303)**	**(5)**	**–**	**(308)**	Underlying impairment charge
Profit before tax	**7,503**	**306**	**–**	**7,809**	**Underlying profit**
2022[5]					
Net interest income	12,922	226	24	13,172	Underlying net interest income
Other income, net of net finance income in respect of insurance and investment contracts	2,619	1,846	201	4,666	Underlying other income
		(373)	–	(373)	Operating lease depreciation
Total income, after net finance income in respect of insurance and investment contracts	15,541	1,699	225	17,465	**Net income**
Operating expenses[4]	(9,237)	535	(225)	(8,927)	Total costs
Impairment (charge) credit	(1,522)	12	–	(1,510)	Underlying impairment charge
Profit before tax	4,782	2,246	–	7,028	**Underlying profit**

1 In the year ended 31 December 2023 this comprised the effects of market volatility and asset sales (gain of £35 million); the amortisation of purchased intangibles (loss of £80 million); restructuring costs (loss of £154 million); and fair value unwind (loss of £107 million).
2 In the year ended 31 December 2022 this comprised the effects of market volatility and asset sales (loss of £1,978 million); the amortisation of purchased intangibles (loss of £70 million); restructuring costs (loss of £80 million); and fair value unwind (loss of £118 million). Market volatility and asset sales in 2022 included an exceptional charge under IFRS 17 from contract modifications in Insurance, Pensions and Investments, predominantly in the second half, following the addition of a drawdown feature to existing longstanding and workplace pensions as a significant customer enhancement.
3 The Group's insurance businesses' income statements include income and expense attributable to the policyholders of the Group's long-term assurance funds. These items have no impact in total upon profit attributable to equity shareholders and, to provide a clearer representation of the underlying trends within the business, these items are shown net within the underlying results.
4 Statutory operating expenses includes operating lease depreciation. On an underlying basis operating lease depreciation is included in net income.
5 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Asset quality ratio[A]

	2023	2022
Underlying impairment charge (£m)	**(308)**	(1,510)
Remove non-customer underlying impairment (£m)	**(13)**	27
Underlying customer related impairment charge (£m) (a)	**(321)**	(1,483)
Loans and advances to customers (£bn)	**449.7**	454.9
Expected credit loss allowance (drawn) (£bn)	**3.7**	4.5
Acquisition related fair value adjustments (£bn)	**0.3**	0.4
Underlying gross loans and advances to customers (£bn)	**453.7**	459.8
Averaging (£bn)	**3.1**	(2.9)
Average underlying gross loans and advances to customers (£bn) (b)	**456.8**	456.9
Asset quality ratio[A] = (a) / (b)	**0.07%**	0.32%

Banking net interest margin[A]

	2023	2022
Underlying net interest income (£m)	**13,765**	13,172
Remove non-banking underlying net interest expense (£m)	**311**	111
Banking underlying net interest income (£m) (a)	**14,076**	13,283
Underlying gross loans and advances to customers (£bn)	**453.7**	459.8
Adjustment for non-banking and other items:		
Fee-based loans and advances (£bn)	**(8.9)**	(8.4)
Other (£bn)	**4.2**	5.0
Interest-earning banking assets (£bn)	**449.0**	456.4
Averaging (£bn)	**4.3**	(4.4)
Average interest-earning banking assets[A] (£bn) (b)	**453.3**	452.0
Banking net interest margin[A] (%) = (a) / (b)	**3.11%**	2.94%

Cost:income ratio[A]

	2023 £m	2022[1] £m
Operating costs[A]	**9,140**	8,672
Remediation	**675**	255
Total costs (a)	**9,815**	8,927
Net income (b)	**17,932**	17,465
Cost:income ratio[A] = (a) / (b)	**54.7%**	51.1%

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Loan to deposit ratio[A]

	At 31 Dec 2023 £bn	At 31 Dec 2022 £bn
Loans and advances to customers (a)	**449.7**	454.9
Customer deposits (b)	**471.4**	475.3
Loan to deposit ratio[A] = (a) / (b)	**95%**	96%

Life and pension sales (present value of new business premiums)[A]

	2023 £m	2022[1] £m
Total net earned premiums	**9,768**	8,861
Investment sales	**10,615**	11,024
Effect of capitalisation factor	**3,426**	4,687
Effect of annualisation	**455**	358
Gross premiums from existing long-term business	**(6,815)**	(5,939)
Life and pensions sales (present value of new business premiums)[A]	**17,449**	18,991

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

New business value of insurance and participating investment contracts recognised in the year[A]

	2023 £m	2022 £m
Contractual service margin	**92**	1,793
Risk adjustment for non-financial risk	**86**	646
Losses recognised on initial recognition	**(71)**	(75)
	107	2,364
Impacts of reinsurance contracts recognised in the year	**29**	15
Increments, single premiums and transfers received on workplace pension contracts initially recognised in the year	**17**	–
Amounts relating to contracts modified to add a drawdown feature and recognised as new contracts	**–**	(2,280)
New business value of insurance and participating investment contracts recognised in the year[A]	**153**	99

Operating costs[A]

	2023 £m	2022[1] £m
Operating expenses	**10,823**	9,237
Adjustment for:		
Remediation	**(675)**	(255)
Restructuring	**(154)**	(80)
Operating lease depreciation	**(956)**	(373)
Amortisation of purchased intangibles	**(80)**	(70)
Insurance gross up	**227**	225
Other statutory items	**(45)**	(12)
Operating costs[A]	**9,140**	8,672

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Pro forma CET1 ratio[A]

	At 31 Dec 2023 %	At 31 Dec 2022 %
CET1 ratio	**14.6%**	15.1%
Insurance dividend and share buyback accrual[1]	**(0.9)%**	(1.0)%
Pro forma CET1 ratio[A]	**13.7%**	14.1%

1 Dividend paid up by the Insurance business in the subsequent quarter period and the impact of the announced ordinary share buyback programmes.

Return on tangible equity[A]

	2023	2022[1]
Profit attributable to ordinary shareholders (£m) (a)	**4,933**	3,389
Average shareholders' equity (£bn)	**38.9**	41.3
Average intangible assets (£bn)	**(7.7)**	(6.7)
Average tangible equity (£bn) (b)	**31.2**	34.6
Return on tangible equity (%)[A] = (a) / (b)	**15.8%**	**9.8%**

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Tangible net assets per share[A]

	At 31 Dec 2023 £m	At 31 Dec 2022[1] £m
Ordinary shareholders' equity	**40,224**	38,370
Remove goodwill and other intangible assets	**(8,306)**	(7,615)
Deferred tax and other adjustments	**352**	393
Tangible net assets (a)	**32,270**	31,148
Ordinary shares in issue, excluding own shares (b)	**63,508m**	66,944m
Tangible net assets per share[A] = (a) / (b)	**50.8p**	46.5p

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Underlying profit before impairment[A]

	2023 £m	2022[1] £m
Statutory profit before tax	**7,503**	4,782
Remove impairment charge (credit)	**303**	1,522
Remove volatility and other items including restructuring	**311**	2,234
Underlying profit before impairment[A]	**8,117**	8,538

1 2022 comparatives have been restated to reflect the impact of IFRS 17. See note 1 on page 218.

Governance

Governance with purpose

UK Corporate Governance Code

Compliance statement

The UK Corporate Governance Code 2018 (the Code) applied to the financial year ended 31 December 2023. The Code is available at **www.frc.org.uk**.

This directors' report is set out in a way that helps shareholders and investors to evaluate how the Company has applied the principles and complied with the provisions of the Code during 2023. The table below signposts the most relevant parts of the Annual Report, in particular where supporting information is not in the directors' report.

The Company confirms that it applied the principles and complied with all the provisions of the Code throughout 2023.

On 22 January 2024, the Financial Reporting Council published an updated version of the Code which will apply to financial years beginning on or after 1 January 2025. The Company will report against that updated version in due course.

Principles of the Code

1. Board leadership and company purpose (pages 78 to 87)	
Chair's introduction	72
Our Board	74 to 75
Purpose, values and strategy	2 to 27 and 81
Culture	2, 9 and 86
Board stakeholder engagement and decision making	3 to 5 and 82 to 83
Key performance indicators and strategic performance	28 to 38
Risk assessment	39 to 45
Risk management	138 to 196
Rewarding our workforce	108 to 132
2. Division of responsibilities (page 88)	
Our Board and governance structure	78
Independence and time commitments	95
Committee reports	94 to 109 and 126
Board and Committee meeting attendance	79
3. Composition, succession and evaluation (pages 89 to 92)	
Our Board	74 to 75
Our Board and governance structure	78
Board and Committee meeting attendance	79
Nomination and Governance Committee report	94 to 96
4. Audit, risk and internal control (page 93)	
Audit Committee report	97 to 100
Statement of directors' responsibilities	136
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Principal risks and emerging risks	40 to 44
Board Risk Committee report	101 to 106
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5. Remuneration	
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Strong governance provides the foundation for all that we do

Sir Robin Budenberg
Chair

Since the Group launched its strategy in February 2022, the environment in which we operate has changed significantly. The Board is acutely aware that macroeconomic uncertainties, societal challenges and geopolitical tensions are having a profound impact on people, businesses and society. It is in this context that the Group remains committed to its strategy, including delivering higher, more sustainable returns for our shareholders, aligned to our purpose of Helping Britain Prosper. Strong governance provides the foundation for the Group to help our customers finance their ambitions and grow whilst navigating this challenging external environment. At the same time, it ensures we address the environmental, social and economic concerns of our wider stakeholders in an effective and appropriate manner.

During 2023, the Board has overseen the executive's continued delivery of the Group's strategic transformation and has focused on sound risk management, including a review of operational resilience. The strength of our organisation also depends on our people and our culture and we are conscious of the impact that the strategic implementation is having on our colleagues. Listening sessions with colleagues during 2023 provided valuable insight on how colleagues are experiencing our culture and, crucially, on how our leaders are being empowered to drive the fast-paced change required for the successful delivery of our strategy.

On the topic of culture at Board level, I have been particularly pleased by the open and collaborative relationship the Board has continued to develop with the executive. Together with providing constructive challenge on strategic implementation, the Board encourages the executives to share new plans at an early stage in order for the Board to provide feedback as those plans evolve.

Below I highlight some of the governance activities that took place during 2023.

Board oversight of strategy

As I mentioned above, the Board has overseen the continued implementation of the Group's strategy, providing feedback on the sequencing of changes and investment priorities, together with monitoring key performance indicators – read more on **page 81**.

Focus on risk management

Given the scale of change required to deliver the Group's strategic transformation, the Board, the Board Risk Committee and the Group's Information Technology and Cyber Advisory Forum (ITCAF) have each played a vital role in evaluating change and execution risk and overseeing operational resilience requirements. Read more on risk management on **pages 101 to 106**.

Promoting a healthy culture

Building on previous years' commitments to promoting a values-led culture, the Board has deepened its understanding of colleague and customer sentiment. Further details on the Board's role in overseeing the embedding of a healthy corporate culture can be found on **page 86**.

Diversity, equity and inclusion

Inclusion lies at the heart of the Group's purpose and increasing diversity in the broadest sense, including diversity of thought and background, remains a priority for the Board. Further information on progress made on diversity, equity and inclusion throughout all levels of the organisation is set out on **pages 94 to 96 and 107**.

Climate ambitions

The Board, through its Responsible Business Committee, has overseen the Group's sustainability strategy. The Group now has 10 sector-specific Net Zero Banking Alliance targets together with its overall banking ambition and investment target. In addition to our supply chain ambition, a further three new pledges for water, waste and nature were announced in November for our own operations. Further details can be found on **pages 84 and 107**.

Board and Committee changes

Succession planning and the composition of the Board are important components of good governance. Alan Dickinson and Lord Lupton will retire at the 2024 annual general meeting after serving nine years and almost seven years respectively on the Board. We are deeply grateful to Alan for the wisdom and insight he has brought to the Board over a long period as both Deputy Chair and formerly as Senior Independent Director and in the many important Committee roles he has held and to James for his leadership as the inaugural Chair of Lloyds Bank Corporate Markets plc and for his significant contribution to the Board. They leave with our thanks and best wishes for the future.

Cathy Turner took over from Alan Dickinson as Chair of the Remuneration Committee and as Senior Independent Director in September 2023.

Nathan Bostock will be appointed as a non-executive director of the Group and, subject to regulatory approval, Chair of Lloyds Bank Corporate Markets plc, in each case with effect from 1 August 2024. Nathan was Chief Executive Officer of Santander UK from 2014 until 2022 and, prior to that, an executive director and Group Chief Financial Officer of The Royal Bank of Scotland plc and previously its Chief Risk Officer. Nathan's financial services experience and UK banking market knowledge will be invaluable to his roles with the Group.

Read more about Board and Committee changes on **page 94**.

Ring-fencing governance

Although this is Lloyds Banking Group plc's corporate governance report, I would like to thank Nigel Hinshelwood, Sarah Bentley and Brendan Gilligan for their continued and valued contribution as non-executive directors of Lloyds Bank plc and Bank of Scotland plc (the Ring-Fenced Banks), which represent the majority of the Group's banking activities. Further details regarding ring-fencing governance are set out on **pages 76 and 87**.

Corporate Governance Code

The Company's statement of compliance with the UK Corporate Governance Code 2018 can be found on **page 71**.

Stakeholder engagement

Understanding and meeting the Group's responsibilities and duties to shareholders, customers and the communities we serve is central to our purpose and remains of utmost importance. Read more about Board stakeholder engagement on **pages 82 to 83**.

Sir Robin Budenberg,
Chair

Governance at a glance

Our Board in 2023

Skills, experience and knowledge of our Board

Collective view of the skills, experience and knowledge of the non-executive directors[1]

Good experience and knowledge · Deep experience – distinctive strength

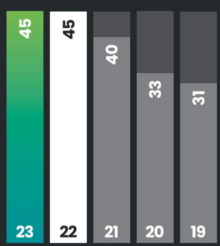
- Retail/ commercial banking
- Financial markets/ wholesale banking/ treasury
- Insurance
- Audit and finance
- Risk – in financial institutions
- Technology/digital
- Consumer/marketing/ distribution
- Major change programmes
- ESG: environment, sustainability and climate change
- ESG: social, inclusion and diversity and governance
- Listed board governance, including investor relations and remuneration
- Government/ regulator interface
- Strategic thinking

Met the board diversity targets in the FCA Listing Rules of at least: 40% of the board being women; one of the senior board positions being held by a woman[2]; and one member of the board being from a Minority Ethnic background[3]

Board gender diversity over the years[3]

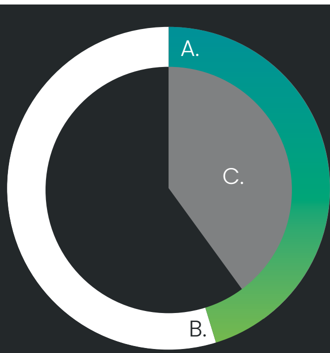
Women (%)

45%



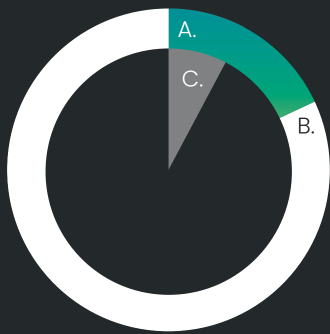
Gender diversity[3]

A. Female **5 (45%)**[2]
B. Male **6 (55%)**
C. FCA Listing Rule target **At least 40% women**



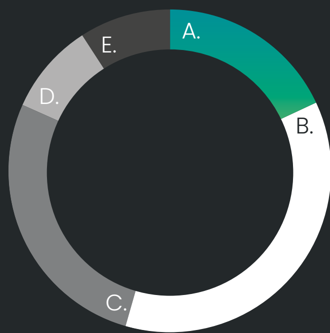
Ethnic diversity[3]

A. Black, Asian or Minority Ethnic **2 (18%)**
B. White **9 (82%)**
C. FCA Listing Rule target **At least one board member from a Minority Ethnic background**



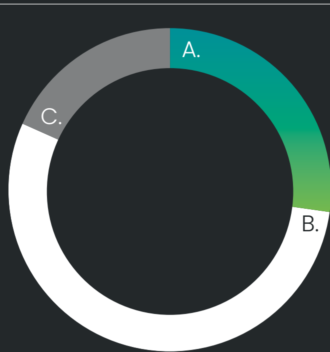
Board tenure[4]

A. 0–2 years **2**
B. 2–4 years **4**
C. 4–6 years **3**
D. 6–8 years **1**[5]
E. 9 years+ **1**[6]



Age[4]

A. 44–55 **3**
B. 56–65 **6**
C. 66–75 **2**



1 Assessment by the Nomination and Governance Committee as at 24 January 2024.
2 Cathy Turner is the Senior Independent Director.
3 As at 31 December 2023 and remains correct as at the date of publication of the Annual Report.
4 As at 31 December 2023.
5 Lord Lupton will retire at the Company's 2024 annual general meeting.
6 Alan Dickinson will retire at the Company's 2024 annual general meeting.

Our Board

Overseeing the implementation of our strategy

Alan Dickinson and Lord Lupton have notified the Board that they do not intend to seek re-election at this year's annual general meeting.
Nathan Bostock will be appointed as a non-executive director and, subject to regulatory approval, Chair of Lloyds Bank Corporate Markets plc, in each case with effect from 1 August 2024.

Sir Robin Budenberg CBE
Chair

Appointed: October 2020 (Board), January 2021 (Chair)
Skills, experience and contribution:
- Extensive financial services and investment banking experience
- Strong governance and strategic advisory skills in relation to companies and government
- Regulatory, public policy and stakeholder management experience

Robin spent 25 years advising UK companies and the UK Government while working for S.G. Warburg/UBS Investment Bank and was formerly Chief Executive and Chairman of UK Financial Investments (UKFI), managing the Government's investments in UK banks following the 2008 financial crisis. He is a qualified Chartered Accountant.
External appointments:
Chair of The Crown Estate.

Alan Dickinson
Deputy Chair

Appointed: September 2014 (Board), May 2020 (Deputy Chair)
Skills, experience and contribution:
- Highly regarded retail and commercial banker
- Strong strategic, risk management and core banking experience
- Regulatory and public policy experience

Alan has 37 years' experience with the Royal Bank of Scotland, most notably as Chief Executive of RBS UK. Alan was formerly Chairman of Urban&Civic plc and of Brown, Shipley & Co. Limited, a Non-Executive Director and Chairman of the Risk Committee of the Nationwide Building Society and of Willis Limited and a Governor of Motability. Alan is a Fellow of the Chartered Institute of Bankers and the Royal Statistical Society. Alan was Senior Independent Director of the Company between December 2019 and September 2023.
External appointments:
Non-Executive Director of the England and Wales Cricket Board.

Cathy Turner
Senior Independent Director

Appointed: November 2022 (Board), September 2023 (Senior Independent Director)
Skills, experience and contribution:
- Significant executive and non-executive financial services experience
- Knowledge of complex remuneration matters
- Communications expertise with a broad range of stakeholders including investors, regulators, government, media and unions

Cathy has significant financial services experience, having worked in senior executive positions at Barclays plc and at the Group. Cathy has previously been a Non-Executive Director and Chair of the Remuneration Committee of Aldermore Group plc, Quilter plc and Countrywide plc.
External appointments:
Non-Executive Director and Chair of the Remuneration Committee of Rentokil Initial plc and Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee of Spectris plc. Partner on a part-time basis at Manchester Square Partners LLP.

Sarah Legg
Independent non-executive director

Appointed: December 2019
Skills, experience and contribution:
- Strong financial leadership and regulatory reporting skills
- Significant audit and risk experience in financial leadership
- Strong transformation programme experience

Sarah has spent her entire executive career in financial services with almost 30 years at HSBC. She was the Group Financial Controller, a Group General Manager and CFO for HSBC's Asia Pacific region. She also spent eight years as a Non-Executive Director of Hang Seng Bank Limited.
External appointments:
Non-Executive Director and Chair of the Audit and Risk Committee of Severn Trent plc, a Trustee of the Lloyds Bank Foundation for England and Wales, Board Member of the Audit Committee Chair's Independent Forum and Chair of the Campaign Advisory Board, King's College, Cambridge University.

Lord Lupton CBE
Independent non-executive director and Chair of Lloyds Bank Corporate Markets plc

Appointed: June 2017 (Board), August 2017 (Chair of Lloyds Bank Corporate Markets plc)
Skills, experience and contribution:
- Extensive international corporate experience, especially in financial markets
- Strong board governance experience, including investor relations
- Regulatory and public policy experience
- Significant experience in strategic planning and implementation

Lord Lupton was Deputy Chairman of Baring Brothers, co-founded the London office of Greenhill & Co. and was Chairman of Greenhill Europe. He is a former Treasurer of the Conservative Party and became a Life Peer in October 2015, serving on the House of Lords Select Committee on Charities.
External appointments:
Senior Advisor to Greenhill Europe, a Trustee of The Lovington Foundation and Chairman of the Board of Visitors of the Ashmolean Museum.

Amanda Mackenzie LVO OBE
Independent non-executive director

Appointed: October 2018
Skills, experience and contribution:
- Extensive experience in ESG matters including responsible business and sustainability
- Strong customer engagement and digital technology experience
- Significant marketing and brand background

Amanda was Chief Executive of Business in the Community, of which King Charles III is the Royal Founding Patron and which promotes responsible business and corporate responsibility. Prior to that role, she was a member of Aviva's Group Executive for seven years as Chief Marketing and Communications Officer and was seconded to help launch the United Nation's Sustainable Development Goals. She is also a former Director of British Airways AirMiles, BT, Hewlett Packard Inc and British Gas.
External appointments:
Non-Executive Director of The British Land Company plc, Chair of The Queen's Reading Room and trustee of the charity Cumberland Lodge.

- **A** Audit Committee member
- **BR** Board Risk Committee member
- **NG** Nomination and Governance Committee member
- **Re** Remuneration Committee member
- **RB** Responsible Business Committee member
- Committee Chair

Committee Chairs and members shown as at 21 February 2024. Read about Committee changes during the year on **page 94**.

Strategic report
Financial results
Governance
Risk management
Financial statements
Other information

Harmeen Mehta
Independent non-executive director

Appointed: November 2021
Skills, experience and contribution:
- Over 25 years' experience leading digital and complex transformation
- Experience of building and running technology-led businesses and creating new ventures
- A wealth of international and financial services knowledge having lived in 11 countries and worked across 30 countries on six continents

Harmeen was appointed Chief Digital and Innovation Officer at BT in April 2021. Prior to that role, she spent seven years as Global Chief Information Officer and Head of Cyber Security and Cloud Business at Bharti Airtel, leading its cloud and security businesses. Earlier in her career, Harmeen held CIO positions at BBVA, HSBC and Bank of America Merrill Lynch.
External appointments:
Chief Digital and Innovation Officer at BT.

Scott Wheway
Independent non-executive director and Chair of Scottish Widows Group

Appointed: August 2022 (Board), September 2022 (Chair of Scottish Widows Group)
Skills, experience and contribution:
- Significant financial services board and chair experience
- Extensive knowledge and experience of large-scale banking and insurance businesses
- Track record as a non-executive and executive in customer-centric companies

Scott was appointed Chair of Centrica plc in 2020 where he has served on the board since 2016. Scott was formerly Chair of AXA UK plc, Chair of Aviva Insurance Limited, a Non-Executive Director of Aviva plc and Senior Independent Director of Santander UK plc. He worked as an executive in the retail sector for over 25 years where he held positions including chief executive officer of Best Buy Europe, managing director of Boots the Chemist plc and a number of senior executive positions at Tesco plc.
External appointments:
Chair of Centrica plc.

Catherine Woods
Independent non-executive director

Appointed: March 2020
Skills, experience and contribution:
- Extensive executive experience of international financial institutions
- Deep experience of risk and transformation oversight
- Strong focus on culture and corporate governance

Catherine is a former Deputy Chair and Senior Independent Director of AIB Group plc where she also chaired the Board Audit Committee. In her executive career with J P Morgan Securities, she was Vice President, European Financial Institutions, Mergers and Acquisitions, and Vice President Equity Research Department, forming the European Banks Team.
External appointments:
Non-Executive Director and Deputy Chair of BlackRock Asset Management Ireland Limited.

Charlie Nunn
Executive director and Group Chief Executive

Appointed: August 2021
Skills, experience and contribution:
- Extensive financial services experience including in Chief Executive and other leadership roles
- Strategic planning and implementation
- Extensive experience of digital transformation

Charlie has over 25 years' experience in the financial services sector. Prior to joining the Group, Charlie held a range of leadership positions at HSBC, including Global Chief Executive, Wealth and Personal Banking, and Group Head of Wealth Management and Digital, as well as Global Chief Operating Officer of Retail Banking and Wealth Management.

Charlie began his career at Accenture, where he worked for 13 years in the US, France, Switzerland and the UK before being made a Partner. He then moved to McKinsey & Co. as a Senior Partner, leading on projects for five years.
External appointments:
None.

William Chalmers
Executive director and Chief Financial Officer

Appointed: August 2019
Skills, experience and contribution:
- Significant board level strategic and financial leadership experience
- Strategic planning and development, mergers and acquisitions, equity and debt capital structuring and risk management

William joined the Board in August 2019, when he was appointed Chief Financial Officer and was Interim Group Chief Executive from May 2021 to August 2021.

William has worked in financial services for over 25 years and previously held a number of senior roles at Morgan Stanley, including Co-Head of the Global Financial Institutions Group and Head of EMEA Financial Institutions Group. Before joining Morgan Stanley, William worked for J P Morgan, again in the Financial Institutions Group.
External appointments:
None.

Kate Cheetham
Chief Legal Officer and Company Secretary

Appointed: July 2019
Skills, experience and contribution:
- Significant legal and governance leadership experience within financial services
- Strategic functional planning and development, corporate, mergers and acquisitions, regulation and risk management

Kate became Group General Counsel (now Chief Legal Officer) in May 2015 and Company Secretary in July 2019. Kate joined the Group in 2005 from Linklaters, where she was a corporate lawyer specialising in mergers and acquisitions transactions. Before her current roles, Kate held a number of senior positions including Deputy Group General Counsel and General Counsel for Group Legal.

Boards of the Ring-Fenced Banks

Since 1 January 2019, UK legislation has required large UK banks to separate personal banking services, such as current and savings accounts, from riskier activities, such as investment banking, in other parts of their business. This is called ring-fencing.

Lloyds Bank plc and Bank of Scotland plc are the banks within the Group which have been included within the ring-fence (together, the Ring-Fenced Banks). As the Group's core focus is on the UK and on retail and commercial banking customers, the majority of the Group's banking business is undertaken within the Ring-Fenced Banks.

Each of the directors of Lloyds Banking Group plc is also a director of the Ring-Fenced Banks. The boards of the Ring-Fenced Banks have three additional independent non-executive directors: Nigel Hinshelwood (Senior Independent Director), Sarah Bentley and Brendan Gilligan (together, the Ring-Fenced Bank-only directors). Read their biographies below.

These Ring-Fenced Bank-only directors are independent of the management and the rest of the Group and their role is to act exclusively in the best interests of the Ring-Fenced Banks. They play a crucial role in the governance structure, with an enhanced role in managing any potential conflicts between the Ring-Fenced Banks and the Group.

Read more about the role of the Ring-Fenced Bank-only directors and the Group's structure on **page 87**.

Ring-Fenced Bank-only directors

Nigel Hinshelwood
Senior Independent Director
Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019
Skills, experience and contribution:
- Extensive experience in the financial services sector in the UK and worldwide
- Significant experience of large-scale transformation, operations and technology

Nigel was a partner at Ernst & Young (subsequently Cap Gemini Ernst & Young) for many years where his positions included Head of Financial Services and Chief Executive Officer of Southeast Asia. Before becoming a non-executive, he was the Head of HSBC UK and Deputy CEO of HSBC Bank plc. Within the HSBC Group he held several executive appointments including Head of HSBC Insurance Holdings, Chief Operating Officer for Europe, Middle East and Africa and Global Head of Operations. Nigel was formerly a Non-Executive Director of Lloyd's of London Franchise Board.
External appointments:
Deputy Chair and Chair designate of Ikano Bank AB, Chair of AXA XL Underwriting Agencies Limited and AXA XL Insurance Company UK Limited, International Advisory Council Member of Adobe Systems Software Ireland Limited, Advisory Council Member of International Association of Credit Portfolio Managers and Member of the Finance and Risk Committee of Business in the Community.

Sarah Bentley
Non-executive director
Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019
Skills, experience and contribution:
- Extensive digital and digital transformation experience
- Strong customer and marketing skills

Sarah is Chair of the Gender Equality Leadership Team at Business in the Community. She was formerly Chief Executive Officer and Executive Director of Thames Water Utilities Limited and Director of Water UK, the trade association of the water and wastewater industry. Prior to those roles, Sarah was Chief Customer Officer at Severn Trent plc and a member of its Executive Committee and the Managing Partner for Accenture's Digital business unit in the UK & Ireland. She has worked internationally in a number of roles including Strategy, Marketing & Propositions for BT's Global Services division, CEO of Datapoint and Senior Vice President of eLoyalty.
External appointments:
Chair of the Gender Equality Leadership Team at Business in the Community – His Majesty King Charles III's Responsible Business Network.

Brendan Gilligan
Non-executive director
Lloyds Bank plc and Bank of Scotland plc

Appointed: January 2019
Skills, experience and contribution:
- Extensive experience in core strategic finance and controllership roles in the financial services industry
- Significant experience of serving on the boards of regulated financial services businesses in the UK, France, Switzerland and Poland

Brendan's career began in the Public Audit division of KPMG in Ireland and Canada. He subsequently worked in commercial and consumer banking services and financing with Woodchester Investments plc and, after its acquisition by General Electric Company, with GE Capital until his retirement in April 2018.
External appointments:
Non-Executive Director of Cabot Credit Management Group Limited and Chairman of its Audit and Risk Committees.

Group Executive Committee

Charlie Nunn
Executive director and Group Chief Executive

Appointed: August 2021

William Chalmers
Executive director and Chief Financial Officer

Appointed: June 2019

Chirantan Barua
Chief Executive Officer, Scottish Widows and Insurance, Pensions and Investments

Appointed: May 2023

Kate Cheetham
Chief Legal Officer and Company Secretary

Appointed: July 2017

Elyn Corfield
Chief Executive Officer, Business and Commercial Banking

Appointed: July 2022

Sharon Doherty
Chief People and Places Officer

Appointed: June 2022

Jo Harris
Chief Executive Officer, Mass Affluent

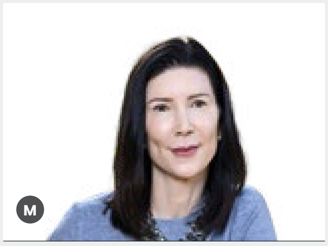
Appointed: July 2022

Ron van Kemenade
Group Chief Operating Officer

Appointed: June 2023

Laura Needham
Chief Internal Auditor

Appointed: October 2022



Jayne Opperman
Chief Executive Officer, Consumer Relationships

Appointed: January 2023

Stephen Shelley
Chief Risk Officer

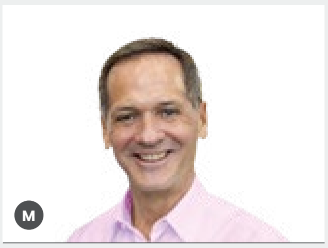
Appointed: September 2017

Jasjyot Singh OBE
Chief Executive Officer, Consumer Lending

Appointed: July 2022

Andrew Walton
Chief Sustainability Officer and Chief Corporate Affairs Officer

Appointed: September 2018



John Winter
Chief Executive Officer, Corporate and Institutional Banking

Appointed: September 2022

Read more the Group Executive Committee bios

C Group Executive Committee Chair
M Group Executive Committee member
A Group Executive Committee attendee

Board leadership and company purpose

The role of the Board

The Board is collectively responsible for promoting and assessing the long-term, sustainable success of the Group, generating value for shareholders and contributing to wider society.

The Board establishes the Group's purpose, values and strategy and seeks to ensure that the Group is Helping Britain Prosper. The Board approved the Group's current strategy in February 2022 and you can read more about how the Board has overseen the implementation of the new strategy by the Group Chief Executive, supported by the wider executive management team, on **page 81**.

The Group's role as a sustainable and inclusive business is central to its purpose. The Responsible Business Committee oversees the Group's sustainability ambitions, with specific reporting and risk management responsibility in relation to sustainability-related matters (including climate) shared with the Audit Committee and Board Risk Committee. This ensures appropriate coordination and cooperation on these matters. Read about our sustainability governance structure on **pages 84 to 85**.

The Board is also responsible for ensuring that the Group's culture is aligned with its purpose, values and strategy. Read more about how the Board assesses and monitors the Group's culture on **page 86**.

The Board retains ultimate responsibility for ensuring the necessary resources are in place to meet agreed objectives. The effective management of risk is central to the Group's strategy, supported by the Group's enterprise risk management framework, which is discussed in the risk management report on **pages 138 to 196**.

The Board recognises that engaging with, and acting on the needs of, the Group's stakeholders is key to achieving the strategy and long-term objectives of the Company. Read more about how the Board engages with stakeholders on **pages 82 to 83** and the directors' statement of how they have carried out their duties under section 172 of the Companies Act 2006 on **pages 03 to 05**.

Our Board and governance structure

Lloyds Banking Group Board

Chair
Sir Robin Budenberg

Executive directors

Group Chief Executive
Charlie Nunn

Chief Financial Officer
William Chalmers

Group Chief Executive Committees
See **pages 141 to 142**

Non-executive directors

Deputy Chair
Alan Dickinson

Senior Independent Director
Cathy Turner[1]

Sarah Legg
Lord Lupton
Amanda Mackenzie
Harmeen Mehta
Scott Wheway
Catherine Woods

Company Secretary
Kate Cheetham

Board Committees

Nomination and Governance Committee
See **page 94**

Audit Committee
See **page 97**

Board Risk Committee
See **page 101**

Remuneration Committee
See **pages 108 to 109 and 126**

Responsible Business Committee
See **page 107**

1 Alan Dickinson was Senior Independent Director until 13 September 2023.

The terms of reference for the Board Committees and the matters reserved for the Board can be found on our corporate governance page

Corporate Governance Framework

The key decisions and matters reserved for the Board's approval, such as the Group's long-term strategy and priorities, are set out in the Group's Corporate Governance Framework, which is reviewed periodically by the Board. The Board is supported by its committees which make decisions or recommendations on matters as delegated to them under the Corporate Governance Framework, including Board appointments, the effectiveness of internal controls and the risk management framework, financial reporting, governance and remuneration policies. This enables the Board to spend a greater proportion of its time on strategic, forward-looking matters. Read more about the Corporate Governance Framework on **page 95**.

Each Board Committee comprises non-executive directors only and has an experienced chair. The Committees are managed on the same basis as the Board. The structure of each Committee seeks to facilitate open discussion and debate and ensure adequate time for Committee members to consider all proposals.

The executive directors make decisions within the parameters and principles set out in the Corporate Governance Framework, which aims to ensure that decisions are made by management under the correct authority. However, where appropriate, any activity can be brought to the full Board for consideration, even if the matter falls within agreed executive parameters.

There are executive committees established to support the Group Chief Executive (Group Chief Executive Committees), in particular the Group Executive Committee. Read about the Group Chief Executive Committees on **pages 141 to 142** and see the Group Executive Committee members and attendee on **page 77**.

Board meetings in 2023

During 2023 there were nine Board meetings. There are separate boards and board committees of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc, but most meetings of these companies are held concurrently and we refer to this as the 'Aligned Board Model'. As most of the Group's business sits within the Ring-Fenced Banks, the interests of the Ring-Fenced Banks, the Group and HBOS plc are aligned in most circumstances. This model is supported by a number of safeguards to enable us to operate in this way including the appointment of three Ring-Fenced Bank only non-executive directors and a Ring-Fenced Bank Risk Officer, all of whose primary focus is on protecting the interests of the Ring-Fenced Banks. Read more about the Group's governance structure and ring-fencing governance arrangements on **page 87**.

Updates are provided to the Board by the Committee Chairs as well as by the Chair, the Group Chief Executive, the Chief Financial Officer, the Chief Risk Officer, and the Chairs of the Lloyds Bank Corporate Markets plc and Scottish Widows Group Limited boards. The Chair holds a number of meetings with the non-executive directors without the executive directors present.

The Group has a comprehensive and continuous forward agenda setting and escalation process in place to ensure that the Board has the right information at the right time and in the right format to enable the directors to bring their experience and influence to make the right decisions. The Chair leads the process, assisted by the Group Chief Executive and Company Secretary. The process ensures that sufficient time is allocated for strategic discussions and business critical items.

The process of escalating issues and agenda setting is regularly reviewed as part of the Board evaluation with enhancements made to the process, where necessary, to ensure it remains effective.

The Chair and the Committee Chairs ensure Board and Committee meetings are structured to facilitate open discussion, debate and challenge. If directors have concerns about the Company or a proposed action which cannot be resolved, their concerns are recorded in the Board minutes. Also, on resignation, non-executive directors are encouraged to provide a written statement of any concerns to the Chair, for circulation to the Board. No such concerns were raised in 2023 and up to the date of this report.

The non-executive directors also receive regular updates from management to give context to current issues.

Board and Committee composition and attendance at meetings in 2023[1]

C Chair	Board	Nomination and Governance Committee	Audit Committee	Board Risk Committee	Remuneration Committee	Responsible Business Committee
Sir Robin Budenberg	9/9 C	7/7 C			5/5	4/4
Charlie Nunn	9/9					
William Chalmers	9/9					
Alan Dickinson	9/9	7/7	6/6	10/10	3/3[7]	4/4
Sarah Legg	9/9		6/6 C	10/10		4/4
Lord Lupton	8/9[4]					4/4
Amanda Mackenzie[2]	9/9	7/7			5/5	4/4 C
Harmeen Mehta	9/9					
Cathy Turner[3]	9/9	2/2[6]			5/5[8] C	
Scott Wheway	9/9	7/7		10/10		
Catherine Woods	8/9[5]		6/6	10/10 C	5/5	

1 Where a director is unable to attend a meeting he/she receives papers in advance and has the opportunity to provide comments to the Chair of the Board or to the relevant Committee Chair.
2 Amanda Mackenzie became a member of the Audit Committee on 1 January 2024.
3 Cathy Turner became a member of the Board Risk Committee on 1 February 2024.
4 Lord Lupton was unable to attend one Board meeting due to another commitment.
5 Catherine Woods was unable to attend one Board meeting due to a personal commitment.
6 Cathy Turner became a member of the Nomination and Governance Committee on 13 September 2023.
7 Alan Dickinson stepped down as both Chair and a member of the Remuneration Committee on 13 September 2023.
8 Cathy Turner was a member of the Remuneration Committee throughout 2023 and succeeded Alan Dickinson as Chair of the Remuneration Committee on 13 September 2023.

Key focus areas

This page shows some of the key focus areas of the Board during 2023 and highlights the stakeholder groups central to those matters considered and decisions taken.

Stakeholder key:

Customers and clients	Communities and environment
Shareholders	Suppliers
Colleagues	Regulators and government

Key focus areas for 2023

	Matters approved	Other matters considered/undertaken	Stakeholders
Purpose, culture and values	• Board diversity policy – read more on **page 96** • Operation and effectiveness of the Remuneration Policy • Modern slavery and human trafficking statement	• Culture updates – read more on **page 86** • Implementation of flexible ways of working for colleagues • Update on the Group's work to create a skills-based organisation • Updates on the Group's environmental strategy including on its net zero ambitions – read more on **page 5**	Customers and clients; Communities and environment; Shareholders; Suppliers; Colleagues; Regulators and government
Customers and clients	• Group customer dashboard targets for assessing customer experience outcomes • The Group's operational resilience self-assessment as the Group seeks to ensure resilient services for its customers	• Ongoing support for customers and clients in light of the increase in the cost of living and interest rate rises – read more on **pages 3 and 87** • Progress on the implementation of Consumer Duty – read more on **page 4** • Consumer products and propositions	Customers and clients; Communities and environment; Shareholders; Suppliers; Regulators and government
Strategy	• Group's approach to environmental sustainability – read more on **pages 5, 15, 33 to 38, 84 and 85** • The acquisition of Tusker – read more on **pages 5 and 20** • Senior management and senior leadership development and succession planning – read more on **page 95**	• Strategy days to discuss the delivery of the strategy and cultural change and to consider the external environment – read more on **page 81** • Updates on strategic transformation including on operational resilience • Updates on business unit performance and profile	Customers and clients; Communities and environment; Shareholders; Suppliers; Colleagues; Regulators and government
Financial	• Four-year operating plan • Annual Report, Form 20-F and half year and quarterly interim management statements • Payment of final dividend for 2022 and interim dividend for 2023 • Share buyback programme	• Economic assumptions • Financial updates from the Chief Financial Officer including key financial highlights and performance against budget and sub-group business performance • Stress in the global banking sector	Customers and clients; Shareholders; Suppliers; Colleagues; Regulators and government
Risk management and regulatory	• Board risk appetite metrics including climate risk • Ring-Fenced Bank governance modifications renewal and modification attestation • PRA Resolvability Assessment Framework • Group Ring-Fencing Policy	• Risk reports and reports from the Board Risk Committee • Model risk • PRA Periodic Summary Letter and actions • Group Speak Up Champions report • Financial crime	Customers and clients; Communities and environment; Shareholders; Suppliers; Colleagues; Regulators and government
Governance	• Appointment of Cathy Turner as the Senior Independent Director and Board Committee appointments – read more on **pages 4 and 94 to 96** • Contracts with major suppliers • Corporate Governance Framework	• Board workshop on Integrated Scenario Testing • Proposed format of the 2023 annual general meeting	Customers and clients; Communities and environment; Shareholders; Suppliers; Regulators and government

How governance contributes to the delivery of our strategy

Our governance arrangements contribute to the development and delivery of our strategy in various ways, including by creating accountability and responsibility, information flow and independent insight from the non-executive directors.

The Board is responsible for establishing the Group's strategy and reviews the delivery of that strategy by the Group Chief Executive, supported by the wider executive management team.

In 2022 the Board approved a new strategy and in 2023 the Board reviewed aspects of the strategic transformation including opportunities and risks to delivery.

The below diagram illustrates the different ways in which the Board oversees implementation of the Group's strategy.

How the Board oversees implementation of the Group's strategy

Board meetings

Strategy has been regularly discussed at Board meetings both as part of the updates from the Group Chief Executive, the Chief Financial Officer and the Group Chief Operating Officer and as specific agenda items. These include updates on the progress made with the Group's strategic transformation and on business-specific strategies such as those for the Consumer Relationships, Mass Affluent, and Insurance, Pensions and Investments (IP&I) businesses.

One-to-one discussions with management

Non-executive directors have discussed the strategy at one-to-one meetings with members of senior management such as the Group Chief Executive, Chief Financial Officer, Chief Risk Officer and the CEOs of the different businesses. This provides the non-executive directors with the opportunity to explore particular matters in greater detail outside of Board meetings.

Board Committees

A number of the Board Committees have oversight of aspects of the Group's strategy. For example, the Board Risk Committee considers updates on the performance of the Group's change programme being undertaken as part of the strategy including the related execution risks and the Audit Committee provides oversight to the strategic development of the reporting environments and benefits from the independent insight provided by internal and external audit, supporting rigorous review of strategic change.

Strategy offsites

Two strategy offsites gave the Board the opportunity to receive detailed updates on topics relating to the Group's strategic transformation, to discuss those topics with the executive management team and to provide challenge and feedback to the executive team to inform the executive team's planning and implementation.

June strategy offsite

Topics at the June offsite included the Consumer Relationships strategy, the Business and Commercial Banking strategy, the external environment (including artificial intelligence) and its implications for the Group, and early views on the IP&I business from its newly appointed CEO.

Outcomes of the offsite included feedback to the executive team on prioritisation of transformation initiatives and on the execution plans for the Consumer Relationships strategy and feedback on the early views of the IP&I CEO on the IP&I business.

November strategy offsite

Topics at the November offsite included an update on purpose, the external environment (including the technology landscape and Generative Artificial Intelligence) and its implications for the Group, an update on strategic transformation (including on the Group's operational resilience work) and business strategy updates for the Consumer Lending business and the Business and Commercial Banking business.

Outcomes of the offsite included feedback to the executive team on articulation of the Group's purpose, opportunities to revisit the pace of the strategic transformation and digital identification propositions.

Stakeholder engagement

The non-executive directors undertook tailored engagement via the Closer to Customers, Clients and Colleagues Programme, allowing them to hear directly from key stakeholders, including customers, clients and colleagues.

The programme was designed to help the directors better understand the important issues for our customers, clients and colleagues, the role the Group plays in supporting them and how the Group is performing in this respect, helping to inform the directors' decision making.

A number of activities took place under the programme, which included meetings with customers and clients and conversations with colleagues. The non-executive directors continue to find these sessions beneficial, providing valuable insight which helps in their consideration of the proposals reviewed by the Board during the year.

Further engagement by the Board with its stakeholders is described below and examples of decision making by the Board which had particular stakeholder relevance can be found on **pages 03 to 05**.

Our stakeholders

Customers and clients

The Group's customer-centric approach means the Board has an ongoing commitment to understanding and addressing customer and client needs, which remains central to achieving the Group's strategic ambitions.

Examples of Board engagement included:

- Non-executive directors attended events to provide deeper insight into the issues which customers and clients have faced during the year. These events included sessions on the challenges of running a small business, the issues faced by vulnerable customers, the pressures for customers dealing with financial difficulties and the challenges of managing finances in retirement
- The Board also took the opportunity to meet with clients when visiting Group sites in Glasgow, Chester and Bristol
- Dedicated updates to the Board from across the organisation, which identified areas of customer and client concern and covered a range of internal and external performance measures; in addition, concerns relevant to customers and clients were identified for consideration in wider proposals put to the Board
- Regular updates to the Board giving insight into the Group's performance in delivering on its customer and client-related objectives and commitments, which assisted in determining where further action was required to meet these objectives
- The Chair and the Group Chief Executive attended customer and client engagement events across various regions of the UK, providing an important opportunity for customers and clients to raise their concerns directly with these Board members

Colleagues

Colleagues remain central to the delivery of the Group's strategic ambitions and the Board continues to recognise this in its engagement with them. Engagement this year included a variety of sessions across the Group to discuss topical issues relating to challenges both at and outside of work.

As in 2022, the Board's Responsible Business Committee has been the designated body for workforce engagement, providing focus, but with the Board retaining a commitment for individual Board members to engage with colleagues directly throughout the year. The Board considers these arrangements to be effective as they enable a broader range of colleague engagement activities, as described in this section.

The Responsible Business Committee reports regularly to the Board on all of its activities, including on its colleague engagement agenda. The Board will continue to consider its arrangements for engaging with the Group's workforce to ensure they remain effective and to encourage meaningful dialogue between the Board and colleagues.

Examples of Board engagement included:

- Review by the Responsible Business Committee of the findings of surveys of colleague sentiment, including annual and ad hoc surveys and review of the progress being made in addressing the matters colleagues have previously raised
- Regular review by the Responsible Business Committee of other workforce engagement reports, covering key issues raised, trends on people matters and updates on colleague sentiment
- An annual report, summarising all colleague engagement activity, including key themes and issues which colleagues have raised during the year
- Non-executive directors attended a number of colleague focus groups, allowing colleagues to share their perspective on matters on the Board's agenda and discuss the Group's progress against its strategic objectives
- Members of the Board also visited a number of the Group's sites where they met with colleagues, including Glasgow, Chester, Bristol and Halifax and a visit to the Halifax branch on Commercial Street, Leeds. Read more on **page 85**
- Sessions were hosted by both the Chair and the Group Chief Executive, complemented by engagement sessions led by other senior leaders with feedback shared with the wider Board. The Group Chief Executive also held sessions with colleagues from a number of specific business areas across the Group
- Board members attended a range of other events held for the Group's senior leaders and other colleague network events

Shareholders

The Group has one of the largest shareholder bases in the UK, which includes most of our colleagues. The Board is committed to understanding the needs and expectations of all our shareholders, both private and institutional.

Examples of Board engagement included:

- A number of directors engaged directly with institutional shareholders, including the Chair, the Group Chief Executive and Chief Financial Officer. In the fourth quarter of 2023 the Chair undertook a coordinated programme of meetings with approximately 15 major shareholders of the Group, which were largely governance focused, including remuneration
- The Group Chief Executive and Chief Financial Officer undertook numerous meetings covering topics such as the Group's strategy, its purpose and its financial performance
- Other Board members also attended external investor events
- Regular updates from Investor Relations on market views and shareholder sentiment/feedback, including an annual presentation from the Group's corporate brokers on market dynamics and perception of the Group
- The Board's Nomination and Governance Committee considered correspondence received from institutional shareholders and non-governmental organisations, along with market feedback
- The Senior Independent Director and Chair of the Remuneration Committee engaged with shareholders and proxy agencies on matters relevant to remuneration and other topics
- Overall, the Group undertook approximately 380 meetings with institutional investors, many of which were attended by management and directors

Communities and environment

The Group is present in almost every community in the country and the Board places great importance on engagement and action to help these communities prosper, while helping to build a more sustainable and inclusive future.

Examples of Board engagement included:

- Updates on climate, environmental and social matters, covering aspects of the Group's business, where the Board reviewed progress made against its stated ambitions in these areas and agreed any further action it considered was required
- The Board continues to be supported in environmental matters by its Responsible Business Committee. The Committee considers stakeholder views on all matters relating to the Group's ambition to be a trusted, sustainable, inclusive and responsible business. The report of the Committee on its work during the year can be found on **page 107**

Regulators and government

The Board continues to maintain strong and open relationships with the Group's regulators and with government authorities, including key stakeholders such as the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), HM Treasury and HMRC.

Examples of Board engagement included:

- The Chair and individual directors, including Chairs of the Board's Committees, held continuing discussions with the FCA and PRA on a number of aspects relevant to the evolving regulatory agenda
- The Board reviewed updates on wider Group regulatory interaction, providing a view of key areas of focus and also progress made in addressing key regulatory priorities
- A meeting was held between the Board and the PRA in July to discuss the outcomes and progress of action relevant to the PRA's Periodic Summary Meeting letter
- The Chair and individual directors had a number of Continuous Assessment meetings with the PRA to discuss the Board's oversight of the Group, key risks and strategic priorities

Suppliers

The Group has a number of partners it relies on for important aspects of our operations and customer service provision and the Board recognises the importance of these supplier relationships in achieving the Group's wider ambitions.

Examples of Board engagement included:

- The Board's Audit Committee considered reports from the Group's Sourcing and Finance teams on the efficiency of supplier payment practices, including those relating to the Group's key suppliers, ensuring our approach continued to meet wider industry standards
- The Board continued to oversee resilience in the supply chain, ensuring our most important supplier relationships were not impacted by potential material events
- The Board considered matters relating to ensuring continuity in the Group's customer related print communication, throughout turbulence within the supply chain in the second half of the year

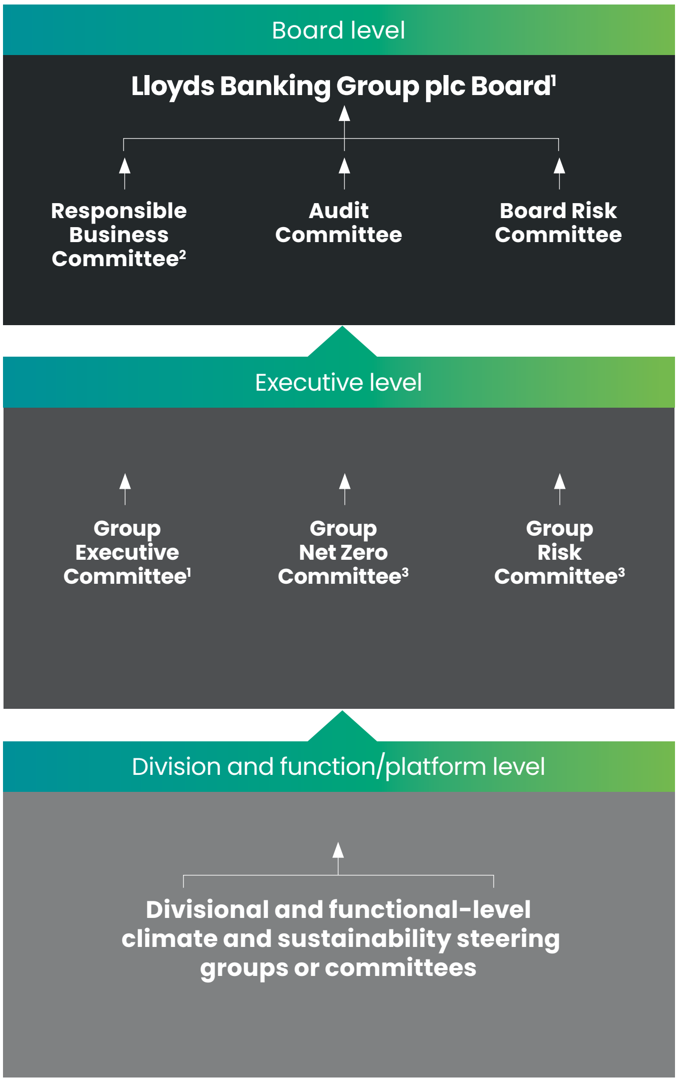
Sustainability governance

Given the strategic importance of our sustainability ambitions and commitments in managing the impacts arising from climate change and broader social issues, the Group's governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of risks and opportunities.

Sustainability-related responsibilities at Board level are overseen by the Responsible Business Committee, with specific reporting and risk management responsibility in relation to sustainability-related matters (including climate) shared with the Audit Committee and Board Risk Committee. This ensures appropriate Board level coordination and cooperation on these matters.

Climate risks and opportunities are identified, assessed and managed by business unit level teams governed via functional and divisional level steering groups and committees.

Our sustainability governance structure



1 The Chair of the Scottish Widows Board sits on the Group Board. The Scottish Widows CEO sits on the Group Executive Committee and will update the Group Executive Committee on relevant insurance matters which can include papers for Group Executive Committee approval.
2 The Chair of the Responsible Business Committee, Amanda Mackenzie, is a non-executive director on the Board, a member of the Remuneration Committee, the Nomination and Governance Committee and, as of 1 January 2024, the Audit Committee, and ensures that sustainability is discussed and considered by the Board. Amanda has extensive experience in ESG matters, including helping launch the United Nations Sustainable Development Goals.
3 The Group Net Zero Committee and the Group Risk Committee provide oversight from an environmental perspective only.

The Responsible Business Committee oversees the Group's delivery of its purpose including the delivery of our sustainability strategy (including climate-related matters). Training has been provided to Committee members on upcoming sustainability regulation and themes of nature and biodiversity. For further details see the sustainability report ↗.

One of the key areas of Board level involvement in 2023 was the approval of three additional Net Zero Banking Alliance sector targets and enhancement of our operational emissions targets. The Responsible Business Chair statement provides an overview of the Responsible Business Committee's involvement in the Group's sustainability progress and performance – read more on **page 107**.

We engage proactively with investors and other key stakeholders throughout the year on our sustainability priorities and plans. Given net zero and sustainability are at the heart of our purpose-driven strategy, with ambitious climate targets reflected in strategic objectives, the good progress already being made in this area and the Group's existing focus on disclosure, transparency and engagement, the Board does not believe it is necessary to propose a separate climate vote at the Company's 2024 annual general meeting at this time. We will continue to be transparent on our sustainability strategy, targets, plans and progress. We will continue to consider on a regular basis whether to propose a climate vote.

Executive level governance

The accountable executive for the Group's sustainability strategy is the Chief Sustainability Officer and Chief Corporate Affairs Officer, with relevant teams in place to drive this strategy forward. There are three key committees that provide management oversight from an executive level: the Group Net Zero Committee, the Group Risk Committee and the Group Executive Committee. These are supported by a number of divisional and function-level teams who consider sustainability topics.

Group Executive Committee and Group Net Zero Committee governance

Updates on the key areas of the Group's sustainability strategy are provided to the Responsible Business Committee by the Group Executive Committee on a quarterly basis.

The Group Net Zero Committee provides direction and oversight of the Group environmental sustainability strategy, including particular focus on the net zero transition and nature strategy, as well as oversight of the Group's approach to meeting external environmental commitments and targets, including progress in relation to the requirements of the Net Zero Banking Alliance.

Group Risk Committee governance

Responsibility for overseeing the management of financial risks from climate change rests with the relevant Chief Risk Officers across the Group, who have Senior Management Function (SMF) responsibility covering the Ring-Fenced Banks (Lloyds Bank plc and Bank of Scotland plc), Lloyds Bank Corporate Markets and the Solvency II regulated entities in Scottish Widows Group (under Scottish Widows Group, the Finance Director has additional SMF responsibilities to manage the risks while the Chief Risk Officer has oversight).

Climate risk is considered through the Group's monthly risk reporting to the Group Risk Committee, in addition to standalone updates on a half-yearly basis which inform discussions at the Board Risk Committee. Relevant updates are also provided across the Group's key legal entities, as required. Additional engagement on relevant climate-related matters is undertaken through the existing risk governance structure, for example, sector risks and opportunities related to climate are presented and discussed at senior credit forums.

Programme governance is also in place for oversight of plans to develop the Group's climate risk management and scenario analysis capabilities.

Key sustainability topics discussed at the Board's Committee meetings in 2023

Across the Group's governance structure, key areas of discussion at Board Committee level are detailed below in relation to the Group's sustainability strategy, targets and approach to managing climate-related risk. These Committees meet at least quarterly with sustainability matters, including climate, discussed at a number of these meetings.

Lloyds Banking Group plc Board

Responsible Business Committee

Topics discussed
- Approval of our environmental strategy update, sector targets and methodology for three additional Net Zero Banking Alliance sector targets
- Approval of external sector statement updates
- Review of proposals for enhancement of our operational emission targets including a more ambitious direct carbon emissions reduction and approval of new water, waste and nature pledges
- Monitoring of progress across the Group on implementation of credible transition plan efforts
- Discussion of sustainability-related opportunities across the Group
- Update on nature-related matters and the impact on our Group sustainability strategy

For further detail on other sustainability-related matters discussed in 2023 see the Responsible Business Committee report on **page 107**

Audit Committee

Topics discussed
- Review of new regulations including International Sustainability Standards Board, Corporate Sustainability Reporting Directive and Climate-related Financial Disclosures
- Activity to assess impacts of climate-related risks and opportunities on the financial statements including quantification of impacts of climate risk on Expected Credit Loss
- Understanding the control environment embedded to support 2023 sustainability reporting
- Review of integrated sustainability reporting for the Group in 2023
- Climate data requirements were discussed at a joint Audit and Risk Committee Forum

For further detail on matters discussed in 2023 see the Audit Committee report on **pages 97 to 100**

Board Risk Committee

Topics discussed
- Overview of activities to meet regulatory expectations, with detailed updates on key areas (e.g. credit integration, scenario analysis)
- Approvals of Board risk appetite for climate risk
- Update on net zero strategies including trade-offs between different decisions
- Update on the Group's approach to embedding climate risk in its enterprise risk management framework
- Climate data requirements were discussed at a joint Audit and Risk Committee Forum

For further detail on matters discussed in 2023 see the Board Risk Committee report on **pages 101 to 106**

Non-executive director visits

Amanda Mackenzie (Chair of the Responsible Business Committee) and Lord Lupton (member of the Responsible Business Committee) visited West Yorkshire in July 2023.

Their first stop was Halifax Town Centre and the Group's Trinity Road site, where the Group has recently implemented a new energy solution for the site. The Group has removed its natural gas reliance there by introducing a ground source heat pump utilising the natural water that runs below Halifax Town Centre.

Amanda Mackenzie and Lord Lupton then visited the Halifax branch on Commercial Street, Leeds and met with colleagues. The branch had recently gone through a full transformation to make the branch sustainable, change the internal design and layout to the latest style and improve the digital approach in branch to support customer education.

Sir Robin Budenberg (Group Chair and a member of the Responsible Business Committee) visited the Group's office on Old Broad Street in London in December 2023 to witness first-hand how sustainability is at the heart of the Group's office refurbishment project there. Using the latest air-source heat pumps to warm and cool the building, the Group aims to reduce energy use on the site by an estimated 63 per cent, fully supporting our carbon and energy reduction pledges. The Group has been able to recycle or repurpose 99 per cent of the waste that came out of the building.

Our culture

We gathered insight
We looked at data and insights from the following sources:
- Colleague surveys: 81 per cent of colleagues responded to our annual all-colleague survey in November
- Conducted monthly pulse surveys with 25 per cent of the organisation each time to focus on key topics
- Analysed sentiment from internal and external sources including nearly 200,000 comments from our annual survey
- Tapped into sentiment being expressed about the world of work online to see external trends and influences
- Refocused existing metrics to create a culture dashboard focusing on the internal and external environment – and developed this at an organisation and business area level

Board engagement in 2023 and beyond
Our non-executive directors continue to engage with colleagues to deepen their understanding of how colleagues experience our culture, including through their participation in the Closer to Customers, Clients and Colleagues Programme. For the culture element of the programme our Board is provided with a range of events and listening sessions with colleagues, giving the Board valuable insight to inform its decision making. Towards the end of 2022, the decision was made to align topics for colleague sessions to key themes arising from colleague surveys.

One session focused on leaders, assessing the impact our Grow with Purpose Programme has had on them leading the transformation of our business. The discussion focused on how leaders are communicating the strategic direction and what barriers are getting in the way of driving fast-paced change.

Another session focused on our strategy, our colleagues' understanding of it and the impact it is having on customers. This session also looked at the cost of living challenges and how colleagues feel they are being supported by the Group with these challenges.

The Board continues to monitor culture progress and colleague sentiment and engagement by drawing insight from colleague engagement surveys and monthly pulse surveys.

Consumer Duty
2023 has seen the implementation of Consumer Duty. This has included the design and management of the culture workstream for Consumer Duty which was delivered successfully for 31 July 2023, the date on which Consumer Duty came into force for the Group, and continues to be embedded through our ongoing Consumer Duty culture work. This work has been in multiple phases:
- All-colleague training and was completed by more than 99 per cent of colleagues by the end of July 2023
- Creation of four in-depth modules covering the four Consumer Duty outcomes – almost 100,000 module completions recorded in aggregate
- Design and implementation of workshops for leaders. 60 workshops delivered and attended by over 1,200 leaders

Board monitoring of culture progress

New for 2023: Culture Dashboard
Our Group Culture Dashboard is a new development introduced in November 2023, measuring the connection between high performing teams, change readiness and customer outcomes. The Culture Dashboard tracks both quantitative and qualitative insights and recommends actions to drive progress that will help the Group to Grow, Focus and Change.

81%
colleague survey response rate

200,000
colleague survey comments analysed

Group structure and ring-fencing governance arrangements

Since 1 January 2019, UK legislation has required large UK banks to separate personal banking services, such as current and savings accounts, from riskier activities, such as investment banking, in other parts of their business. This is called ring-fencing.

The Group's structure and governance arrangements meet these regulatory requirements. As mentioned on **page 76**, Lloyds Bank plc and Bank of Scotland plc are the banks within the Group which have been included within the ring-fence (together, the Ring-Fenced Banks). The governance structure focuses on ensuring:

- Independent decision making by the Ring-Fenced Banks' boards – on any matters where there might be a conflict between the interests of the Ring-Fenced Banks and the interests of another part of the Group and that any such conflicts are identified and appropriately managed
- Risks affecting the Ring-Fenced Banks are considered and managed from the Ring-Fenced Banks' perspective – including maintenance of the capital adequacy and liquidity of the Ring-Fenced Banks
- Clear and effective governance at both Ring-Fenced Bank and Lloyds Banking Group plc level – including second and third lines of defence in respect of risk management

The subsidiaries of the Group are structured into the following sub-groups under Lloyds Banking Group plc, providing effective governance for the business undertaken in each sub-group:

- Ring-Fenced Banks sub-group containing Lloyds Bank plc and Bank of Scotland plc (including the Halifax and MBNA businesses), serving both their UK personal and commercial customers
- Non-Ring-Fenced Bank sub-group – Lloyds Bank Corporate Markets plc – which provides products and services to Group customers that are not allowed within the ring-fence, as well as serving financial institutions' customers and holding certain of the Group's subsidiaries and branches outside the UK
- Insurance sub-group under Scottish Widows Group Limited (including Scottish Widows Limited)
- Equity sub-group under LBG Equity Investments Limited (including Lloyds Development Capital (Holdings) Limited)

As mentioned on **page 76**, the boards of the Ring-Fenced Banks comprise all of the Group directors plus three additional independent non-executive directors: Nigel Hinshelwood (Senior Independent Director), Sarah Bentley and Brendan Gilligan. These Ring-Fenced Bank-only directors are independent of the management and the rest of the Group and their role is to act exclusively in the best interests of the Ring-Fenced Banks. They therefore play a crucial role in the governance structure, with an enhanced role in managing any potential conflicts between the Ring-Fenced Banks and the Group.

Lloyds Banking Group plc simplified sub-group structure

Lloyds Banking Group Board

Aligned boards
Lloyds Bank plc[1]
HBOS plc
Bank of Scotland plc[1]

1 Ring-Fenced Banks.

Lloyds Bank Corporate Markets plc
Non-Ring-Fenced Bank

Scottish Widows Group Limited
Insurance

LBG Equity Investments Limited
Equity Investments

Getting closer to customers and clients

The Board remains very conscious of the challenges our customers and clients continue to face. During the year the Board reviewed and discussed an update dedicated to the impact of the increased cost of living on customers and clients, how the Group had supported, and would support, customers and clients and the Group's engagement with the Financial Conduct Authority on lenders' commitments to support borrowers.

During the year the Board also received additional updates from management on the impacts of the increased cost of living on customers and clients across our businesses.

During 2023, Board members have attended customer and client engagement sessions to deepen their understanding of the day-to-day challenges our customers and clients face. The topics explored at these sessions included the increased cost of living, the lives of vulnerable customers and customers in financial difficulty and the challenges of managing a small business in the current environment.

Division of responsibilities

Board responsibilities

As Chair, Sir Robin Budenberg has overall responsibility for the leadership of the Board and for ensuring its effectiveness in all aspects of its operation.

The composition of the Board helps ensure that no one individual or small group of individuals dominates the Board's decision making. The diversity of skills, experience and background on the Board enables the Board to provide constructive challenge and strategic guidance and to offer specialist advice.

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group – please refer to the role summaries below. The responsibilities of the Chair, Group Chief Executive, Senior Independent Director, Board and Committees are agreed by the Board and publicly available on the Group's website on our corporate governance page ↗. The Chair periodically refreshes membership of the Committees.

Monitoring independence

The Nomination and Governance Committee monitors whether there are any relationships or circumstances which may affect a director's independence. Following the most recent review of independence, the Committee concluded that all non-executive directors are independent in character and judgement and are independent directors for the purposes of the Code. For further details of the review in respect of Alan Dickinson, noting his long service, please see **page 95**. Sir Robin Budenberg was independent on appointment when assessed against the circumstances set out in provision 10 of the Code.

Monitoring time commitments

Non-executive directors are advised of time commitments for the Board and relevant Committees prior to their appointment and are required to devote such time as is necessary to discharge their duties effectively. The time commitments of the directors are considered by the Board on appointment and annually thereafter and, following the most recent review, the Board is satisfied there are no directors whose time commitments are considered to be a matter for concern.

External appointments, which may affect existing time commitments to the Board and its Committees, must be agreed with the Chair and prior Board approval must be obtained. During 2023, Amanda Mackenzie was appointed a non-executive director of The British Land Company PLC. The Board considered the time commitment and potential conflicts involved prior to Amanda accepting the role and was satisfied that she would continue to have sufficient time to commit to her Group Board and Committee appointments. The executive directors do not have any significant external appointments. Information on directors' attendance at meetings can be found on **page 79**.

The right information and support

The Chair, supported by the Company Secretary, ensures that Board members receive appropriate and timely information. All directors have access to the advice of the Company Secretary and the Group provides access, at its expense, to the services of independent professional advisers in order to assist directors in their role. Board Committees are also provided with sufficient resources to discharge their duties.

Non-executive directors

The independent non-executive directors challenge management constructively and help develop and set the Group's strategy. They actively participate in Board decision making and scrutinise management performance. The non-executive directors satisfy themselves on the integrity of financial information and review the Group's risk exposures and controls. The non-executive directors, through the Remuneration Committee, also determine the remuneration of executive directors.

Chair
Sir Robin Budenberg

Sir Robin Budenberg leads the Board and promotes high standards of corporate governance. He leads in building an effective and complementary Board and sets the Board's agenda. The Chair also leads Board succession planning and seeks to ensure effective communication with shareholders.

Deputy Chair
Alan Dickinson

As Deputy Chair, Alan Dickinson supports the Chair in representing the Board and deputises for the Chair. The Deputy Chair may also represent the Group's interests to official enquiries and review bodies.

Senior Independent Director
Cathy Turner

As Senior Independent Director, Cathy Turner is a sounding board for the Chair and Group Chief Executive. She acts as a conduit for the views of other non-executive directors and conducts the Chair's annual performance appraisal. She is available to help resolve shareholders' concerns and will attend meetings with major shareholders and financial analysts to understand issues and concerns.

Executive directors

Group Chief Executive
Charlie Nunn

Charlie Nunn manages and leads the Group on a day-to-day basis, making decisions on matters affecting the operation and performance of the Group's business and the delivery of the Board's approved strategy. He delegates aspects of his authority, as permitted under the Corporate Governance Framework, to other members of the Group Executive Committee.

Chief Financial Officer
William Chalmers

Under the leadership of the Group Chief Executive, William Chalmers makes and implements decisions in all matters affecting the management of financial resources. He provides specialist knowledge and experience to the Board. Together with Charlie Nunn, he designs, develops and seeks to implement strategic plans and deals with the day-to-day operations of the Group.

Company Secretary

Company Secretary
Kate Cheetham

As Company Secretary, Kate Cheetham advises the Board on matters relating to governance, ensuring good information flows and that comprehensive practical support is provided to directors. She is also responsible for maintaining the Group's Corporate Governance Framework and organising directors' induction and training. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

Composition, succession and evaluation

Composition

The balance of skills, experience, independence and knowledge on the Board is the responsibility of the Nomination and Governance Committee and is reviewed annually or whenever appointments are considered. The Nomination and Governance Committee assesses the skills, experience and knowledge of the non-executive directors on an individual basis and on a collective basis – please see **page 73** for the results of the latest collective assessment, which was approved on 24 January 2024. Having the right balance of skills and experience helps to ensure directors discharge their duties effectively.

The Nomination and Governance Committee leads the process for Board appointments, which makes recommendations to the Board. Open advertising and/or an external search consultancy is used for the appointment of the Chair and non-executive directors.

Appointments are made on merit and due consideration is given to diversity in its broadest sense, including gender, social, regional and ethnic backgrounds and cognitive and personal strengths.

Succession planning

The Nomination and Governance Committee ensures plans are in place for orderly succession to both Board and senior management positions and oversees the development of a diverse pipeline for succession. More information about the work of the Nomination and Governance Committee on succession planning can be found on **pages 94 to 95**.

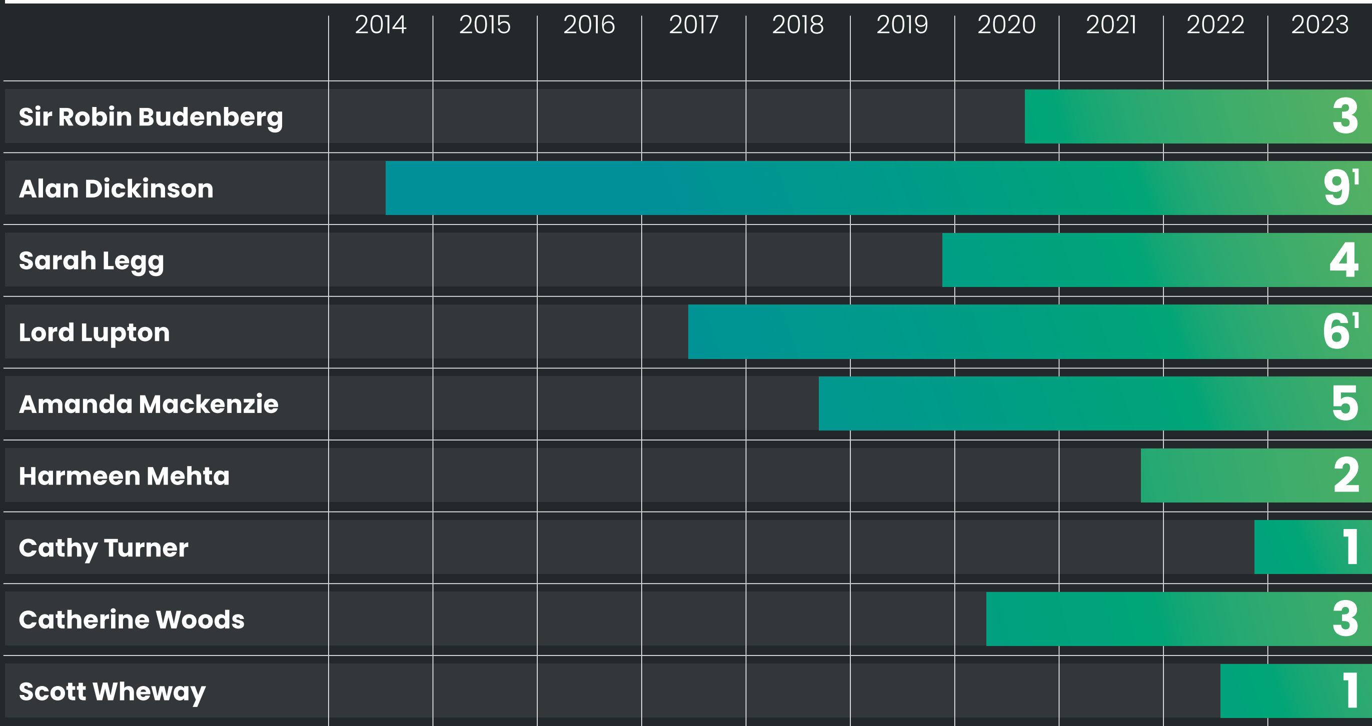
All directors are subject to annual re-election. All directors intend to seek re-election at the Company's annual general meeting in 2024 except for Alan Dickinson and Lord Lupton, who have notified the Board that they do not intend to seek re-election.

Board Committee cross-membership

Non-executive directors sitting on multiple Board Committees enables them to read across matters relevant from one Committee to another and, by doing so, enhance the discussion on certain matters. The information below is as at 31 December 2023 and therefore does not reflect Amanda Mackenzie joining the Audit Committee with effect from 1 January 2024 and Cathy Turner joining the Board Risk Committee with effect from 1 February 2024.

	Audit Committee	Board Risk Committee	Nomination and Governance Committee	Remuneration Committee	Responsible Business Committee
Audit Committee		3 Alan Dickinson, Sarah Legg, Catherine Woods	1 Alan Dickinson	1 Catherine Woods	2 Alan Dickinson, Sarah Legg
Board Risk Committee	3 Alan Dickinson, Sarah Legg, Catherine Woods		2 Alan Dickinson, Scott Wheway	1 Catherine Woods	2 Alan Dickinson, Sarah Legg
Nomination and Governance Committee	1 Alan Dickinson	2 Alan Dickinson, Scott Wheway		3 Sir Robin Budenberg, Amanda Mackenzie, Cathy Turner	3 Sir Robin Budenberg, Alan Dickinson, Amanda Mackenzie
Remuneration Committee	1 Catherine Woods	1 Catherine Woods	3 Sir Robin Budenberg, Amanda Mackenzie, Cathy Turner		2 Sir Robin Budenberg, Amanda Mackenzie
Responsible Business Committee	2 Alan Dickinson, Sarah Legg	2 Alan Dickinson, Sarah Legg	3 Sir Robin Budenberg, Alan Dickinson, Amanda Mackenzie	2 Sir Robin Budenberg, Amanda Mackenzie	

Tenure of non-executive directors



● Length of current tenure in complete years as at 31 December 2023.

1 Lord Lupton and Alan Dickinson have notified the Board that they do not intend to seek re-election at this year's annual general meeting.

Board evaluation

How the Board performs and is evaluated
The annual evaluation, which is typically facilitated externally at least once every three years, provides an opportunity to consider ways of identifying greater efficiencies, maximising strengths and highlighting areas of further development to enable the Board to continuously improve its own performance and the performance of the Group.

The Chair of the Board, with the support of the Nomination and Governance Committee, leads the Board in considering and responding to the review of the Board's effectiveness, which includes a review of its Committees and individual directors. Performance evaluation of the Chair is carried out by the non-executive directors, led by the Senior Independent Director, considering the views of the executive directors.

The Board is committed to independent evaluation of its own effectiveness and that of its Committees as recommended by the UK Corporate Governance Code 2018. An external evaluation was carried out by Dr Tracy Long in 2022 and a summary of progress against the feedback from that evaluation is set out on **page 91**.

2023 evaluation of the Board's performance
The 2023 evaluation was conducted internally between November 2023 and January 2024 by the Company Secretary and was overseen by the Nomination and Governance Committee.

The 2023 review sought the directors' views on areas of development identified in the 2022 review and on a range of topics including: board leadership and contribution; purpose and strategy; risk and control; and people, skills, culture and feedback. The topics were selected by the Company Secretary with input from the Chair.

Process and timeline for 2023 review

Stage 1
November – December 2023

The Company Secretary invited all directors to complete a questionnaire relating to the Board and Committees of which they are members. During this stage, the Company Secretary met with each of the directors to discuss their responses.

Stage 2
January 2024

The findings, based on the questionnaire results and discussions with individual directors, were considered by the Nomination and Governance Committee in January 2024. Committee-specific findings and actions were considered by each Board Committee.

Stage 3
February 2024

Proposed actions based on these discussions were discussed at the Board's meeting in February 2024.

Key findings from the 2023 review

The evaluation concluded that the performance of the Board, the Committees, the Chair and each of the directors continues to be effective. All directors demonstrated commitment to their roles and contributed effectively.

The key findings and areas for consideration include the following:

	Strengths	Areas for improvement/continued focus
Board leadership and contribution	• Effective chairing of Board and Committee meetings enabling all views to be heard • Open sharing of information by the Board and engagement in shaping the forward agenda and discussion points • Board having open access to management	• Continue with different approaches to testing and learning to enhance debate and constructive challenge • Executive to continue to bring relevant matters to the Board for debate at an early stage and include examples of lessons learned
Purpose and strategy	• Alignment of the Board's decision making with the Group's purpose and values • Board dedicates time to consideration of culture and risk transformation as well as purpose and strategy	• Increase scope and cadence of updates from the Chief Customer Officer to provide insights into customer behaviours and trends • Ensuring Board agenda includes time for fast-changing topics such as technology/cyber/data • Board papers to avoid duplication and demonstrate link between decision making and purpose and provide a legal entity lens • Review forward planners to create annual/regular opportunities to invite external experts/speakers to formal and informal sessions with the Board where relevant
Risk and control	• Board discussions, decisions and management of conflicts of interest are effective in meeting ring-fencing regime requirements • Board papers and communications are timely and appropriate and there are effective mechanisms to ensure appropriate escalation of issues to the Board	• Enhance Internal Audit update to Board or other means of providing visibility of Internal Audit's findings • Individual business updates at Board to include more detail on financial performance, to enable greater discussion and tracking of business unit performance

Key findings from the 2023 review

	Strengths	Areas for improvement/continued focus
People, skills, culture and feedback	• Board dedicates appropriate time to discussing changes in the executive leadership team, succession of all key executive positions and Board composition (including diversity) • Alignment of Board actions and decisions with culture and ethics of the Group • Board dedicates time to consideration of diversity, equity and inclusion issues	• Review Board, Committee and Strategy Day agendas to continue to create opportunities for informal time together for Board members • Continue to ensure that certain meetings are non-executive director and Chair only to allow for smaller more interactive discussions • In any recruitment, continue to focus on appropriate expertise

Progress against the 2022 evaluation

The main focus in improvements to Board effectiveness in 2023 has been on creating room for more forward-looking and strategic discussions on key matters at Board and Committee meetings. These enhancements have been achieved by encouraging the executive team to bring strategic matters to the Board in a phased approach, allowing the Board to bring their challenge, influence and experience to the evolution and delivery of the strategy, ensuring that it is aligned with the Group's purpose and values.

Links to strategy	Theme	Feedback from the 2022 evaluation	Actions taken in 2023
Grow	**Board leadership and contribution**	**1.** Consider further dedicated professional time outside of Board meetings **2.** There is an opportunity for issues to be brought to the Board and Committees earlier to allow more scope for discussion	**1.** A programme of Board events with external speakers was prepared and sessions held. Opportunities were created during meeting cycles for the Board members to spend informal time together **2.** The executive team were encouraged by the Board to bring items for earlier Board input and discussion. Topics of strategic importance were brought back iteratively for discussion and the executive and Board members had input into the cadence and focus of these discussions
Focus	**Risk and control**	**1.** Ongoing development of agenda and papers to encourage broader discussion on priorities **2.** Consider a review of the three lines of defence model **3.** Continue focus on learning through presentations of 'lessons learned'	**1.** The Board forward planner and agenda now include business unit updates on performance and strategic topics, with directors encouraged to raise points of challenge and/or concern in advance of meetings in order to focus the debate **2.** A three lines of defence review programme was mobilised with sponsorship from the Group Chief Executive **3.** Papers and presentations from the executive to the Board and Committees have enhanced content and commentary on areas of concern, root cause analysis and the lessons learned
Change	**Strategy**	**1.** Continued awareness by all directors of the changes and challenges in the external environment	**1.** Updates on the progress and challenges to the Group's strategy and transformation were discussed regularly at the Board, including economic updates, 'deep dives' into specific business units and standalone sessions dedicated to the external environment
	People, culture and environment	**1.** Ongoing commitment from the Group Chief Executive, Group Executive Committee and the Board to ensure that the culture of accountability is demonstrated from the top **2.** Continued focus on data, cyber, environmental issues and impact (including net zero) and inclusion and diversity	**1.** The Board and Committee paper templates were reviewed and training provided to authors to draw out purpose, values and culture in discussions **2.** Regular updates received on cultural transformation, including role of the senior leadership in driving values and behaviours. Senior leadership held to account through balanced scorecards and objectives **3.** Regular updates, including 'deep dives' on data, cyber, environmental issues and inclusion and diversity

Board training

The Chair is responsible for leading the development, and monitoring the effective implementation, of training policies and procedures for the directors. On appointment, each director receives a formal and tailored induction. There is also a programme of ongoing training for directors.

The directors are committed to their own ongoing professional development and the Chair discusses training with each non-executive director at least annually. The Company Secretary oversees a training plan for the non-executive directors, with the plan for 2023 discussed at the Nomination and Governance Committee at the start of the year with the non-executive directors encouraged to suggest training topics of interest.

Induction

New non-executive directors receive a tailored induction that focuses on the Group's culture and values, stakeholders, strategy, structure, operations and governance with an emphasis on ensuring that the induction brings the business and its issues alive, taking account of the specific role the director has been appointed to fulfil and their skills and experience to date.

An induction pack is provided containing key corporate documents and information relating to the Group covering aspects such as the role of a director (including relevant Group policies such as anti-bribery, conflicts of interest, expenses, gifts and hospitality and share dealing), the Board and its Committees, financials and strategy, governance, risk management, culture, shareholders and training.

Group training modules

Non-executive directors are asked to complete training modules on a quarterly basis. In 2023, these modules were on:

- Modern slavery
- Fighting economic crime – advanced anti-bribery
- Security
- Conduct rules
- Speak Up (the Group's whistleblowing programme)

Committee training

Committee-specific training is agreed by Committee Chairs as and when needed such as that provided to the Audit and Risk Committee Forum – please read more at the bottom of this page.

New role training

Directors who take on new roles, such as Cathy Turner taking over as Senior Independent Director and Chair of the Remuneration Committee, or change roles during the year attend induction or handover meetings in respect of those new roles.

Other training

Training sessions have been offered across a range of topics of particular interest that were chosen to complement the Board agenda and facilitate advanced discussion. Where training was offered online, the sessions have been recorded and made available to all directors. The topics are produced based on the level of knowledge and experience of Board members. Key topics during 2023 included:

- Group Customer Dashboard
- Senior Managers and Certification Regime
- Market abuse including disclosure of inside information
- Consumer Duty
- Recovery and resolution plans
- Nature (sustainability and climate)
- Data ethics
- Tax

In addition to the above, a board incident management exercise was undertaken.

Audit and Risk Committee Forum for non-executive directors

In November 2023 there was the second meeting of the Audit and Risk Committee Forum, which was attended by members of the Group, Insurance and Lloyds Bank Corporate Markets Audit Committees and Board Risk Committees as well as colleagues from the business.

The aims of this informal forum were to have interactive discussion to gain a shared understanding and appreciation of common areas of interest and to network.

The topics discussed were risk and control environment, model risk management, supplier risk management and climate data.

Audit, risk and internal control

Audit and risk

There are formal policies and procedures in place designed to ensure the independence and effectiveness of the internal and external audit functions. Group Internal Audit is a single independent internal audit function, reporting to the Audit Committee. Further detail can be found in the sections headed 'Group Internal Audit' and 'Auditor independence and remuneration' on **page 100**.

The Board has delegated a number of responsibilities to the Audit Committee, including monitoring and reviewing financial reporting, the effectiveness of internal controls and the risk management framework, whistleblowing, the internal audit process and the external auditor's process. The Audit Committee reports regularly to the Board on its activities and its report for 2023, confirming how it has discharged its duties, can be found on **pages 97 to 100**.

Requirements that the annual report is fair, balanced and understandable are considered during the drafting and reviewing process and the Board has concluded that the 2023 annual report meets this requirement. The Board is supported in this by its Audit Committee and a sign-off process involving different sections of the annual report being approved for inclusion by senior management, with additional review by the Group Disclosure Committee. The statement of directors' responsibilities can be found on **page 136** and the statement of the Auditor's responsibilities for the audit of the financial statements can be found on **page 209**. Related information on the Company's business model and strategy can be found on **pages 1 to 45**.

The Board is responsible for the Group's risk management and internal controls systems, including the determination of the nature and extent of risk the Company is willing to take. Risk is further managed through the Board-approved risk management framework, as discussed in the risk management report on **pages 138 to 196**. The Board Risk Committee assists the Board in fulfilling its risk governance and oversight responsibilities, including by the provision of advice to the Board on risk strategy and overseeing the development, implementation and maintenance of the Group's overall risk management framework, strategy, principles and policies and its risk appetite. The Board Risk Committee reports regularly to the Board on its activities and its report for 2023, confirming how it has discharged its duties, can be found on **pages 101 to 106**.

Internal control

Board responsibility

The Board is responsible for, and monitors, the Group's risk management and internal control systems. These are designed to facilitate effective and efficient operations and to ensure the quality and integrity of internal and external reporting and compliance with applicable laws and regulations, and for the determination of the nature and extent of the principal risks the Group is willing to take in order to achieve its strategy. The directors and senior management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. The directors acknowledge their responsibilities in relation to the Group's risk management and internal control systems and for reviewing their effectiveness.

In establishing and reviewing the risk management and internal control systems, the directors carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and reputation, the likelihood of a risk event occurring and the costs of control. The process for identification, evaluation and management of the emerging and principal risks faced by the Group is integrated into the Group's overall enterprise framework for risk. The risk identification, evaluation and management process is designed to also identify whether the controls in place result in an acceptable level of risk. At Group level, a consolidated risk report, risk appetite dashboard and report by the Chief Risk Officer are reviewed and regularly debated by the Group Risk Committee and the Board Risk Committee, with formal updates provided to the Board to ensure that they are satisfied with the overall risk profile, risk accountabilities and mitigating actions. The report and dashboard provide a view of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan. Information regarding the main features of the internal control and risk management systems in relation to the financial reporting process is provided within the risk management report on **pages 138 to 196**.

Best practice in relation to risk management continues to evolve and throughout 2023 the Group has identified a number of enhancements to its risk management arrangements that are proposed to be implemented as part of continuous improvement. To support the Board's approval, the Board Risk Committee has reviewed the 2023 plan and recommended approval of the proposals.

The Board Risk Committee and the Board concluded that the Group's risk management arrangements throughout 2023 were adequate overall and provided assurance that the risk management systems put in place were responsive to the Group's risk profile and strategy. The Board is confident that the enhancements proposed will ensure that the Group's risk management arrangements will be sufficiently robust to meet developing risk management best practice for the future.

Control effectiveness review

All material controls are recorded and assessed on a regular basis in response to triggers or at least annually. Control assessments consider both the adequacy of their design and operating effectiveness. Where a control is not effective, the root cause is established and action plans implemented to improve control design or performance. Control effectiveness against all residual risks is aggregated by risk category, reported and monitored via the monthly Key Risk Insights or Consolidated Risk Report (CRR). The Key Risk Insights/CRR are reviewed and independently challenged by the Risk division and provided to the Risk Division Executive Committee and the Group Risk Committee. On an annual basis, a point in time assessment is made for control effectiveness against each risk category and across the sub-groups. The Operational Risk System, Key Risk Insights or CRR are the sources used for this point in time assessment and a year-on-year comparison on control effectiveness is reported to the Board Risk Committee and the Board.

Reviews by the Board

The effectiveness of the risk management and internal control systems is reviewed at least annually by the Board, the Board Risk Committee and the Audit Committee, which also receive reports of reviews undertaken by the Risk division and Group Internal Audit. The Audit Committee receives reports from the Company's auditor, Deloitte LLP (which include details of significant internal control matters that they have identified) and has a discussion with the auditor at least once a year without executives present to ensure that there are no unresolved issues of concern. The Group's risk management and internal control systems are regularly reviewed by the Board Risk Committee and the Board and are consistent with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. There is also an annual independent Control Effectiveness review by Group Internal Audit which is reviewed by the Board Risk Committee and the Audit Committee. These reports have confirmed they have been in place for the year under review and up to the date of the approval of the annual report. The Group, Ring-Fenced Bank sub-group and Lloyds Bank Corporate Markets have achieved full compliance with BCBS 239 risk data aggregation and risk reporting requirements and actively continue to maintain this status.

Nomination and Governance Committee report

A persistent focus on succession planning helps ensure continuity of strong leadership

Sir Robin Budenberg
Chair, Nomination and Governance Committee

Driving an increase in inclusion and diversity across the Board and executive remains a priority.

Key activities in 2023

- Board succession planning and recruitment
- Board and Committee composition, skills and training
- Senior executive succession planning
- Board evaluation outcomes
- Inclusion and diversity

Q & A

Q How have the activities of the Nomination and Governance Committee (the Committee) helped strengthen inclusion and diversity across the membership of the Board and its Committees?

A The Committee is responsible for overseeing the development of a diverse pipeline for succession at both Board and executive level. Inclusion continues to lie at the heart of the Group's purpose and, in its ongoing assessment of the composition of the Board and its Committees, inclusion and diversity remain key considerations. Continuing to meet and exceed industry targets for Board diversity demonstrates our commitment, with the Committee's role central to achieving this. Details of the Board diversity policy are set out on **page 96**.

Q What aspects of succession planning have the Committee focused on in 2023?

A Last year's report highlighted that September 2023 would see Alan Dickinson having served nine years on the Board. Consequently, a key focus has been the succession arrangements for Alan's roles, which led to Cathy Turner being appointed as Senior Independent Director during the year and the appointment of Nathan Bostock as a non-executive director to replace Alan's core banking experience on the Board. Further consideration continues to be given to Board Committee membership as well as non-executive director recruitment. The Committee also considered succession planning for senior executives, building on the additional focus on this during 2022. See **page 95** for more details.

Q What are the key areas of focus for the Committee in 2024?

A In addition to succession planning, the year ahead will see a focus on seeking to continue enhancing inclusion and diversity at both Board and executive levels. Composition of the Board and its Committees, and overseeing implementation of actions arising from the Board evaluation, will also be given appropriate attention.

Introduction

As highlighted in my introduction to the corporate governance report on **page 72**, Cathy Turner was appointed as Senior Independent Director during the year. Cathy's appointment to this role helps demonstrate not only our commitment to diversity across the Board's senior roles, but also how strong succession planning can, amongst other things, play its part in providing candidates for different Board roles.

Beyond Board and executive succession planning, other key areas of focus for the Committee this year have included Board effectiveness and training, composition of the Board's Committees and implementation of actions arising from the 2022 externally facilitated Board evaluation process. All of these areas are covered in more detail throughout this report.

Committee purpose and responsibilities

The purpose of the Committee is to keep the Board's governance, composition, skills, experience, knowledge, independence and succession arrangements under review and to make appropriate recommendations to the Board to ensure the Company's arrangements are consistent with the highest corporate governance standards.

Board and Committee changes

Alan Dickinson and Lord Lupton have notified the Board that they do not intend to seek re-election at this year's annual general meeting having served nine and almost seven years respectively on the Board. Nathan Bostock will be appointed as a non-executive director and, subject to regulatory approval, Chair of Lloyds Bank Corporate Markets plc, in each case with effect from 1 August 2024. Cathy Turner succeeded Alan Dickinson as Senior Independent Director and also as Chair of the Remuneration Committee on 13 September 2023, at which point Alan ceased to be a member of the Remuneration Committee. At the same time, Cathy was appointed as a member of the Nomination and Governance Committee and, as announced on 25 January 2024, Cathy was appointed as a member of the Board Risk Committee with effect from 1 February 2024. Details of the selection process for Cathy's appointment as Senior Independent Director can be found on **page 96**. As announced on 18 December 2023, Amanda Mackenzie was appointed as a member of the Audit Committee with effect from 1 January 2024.

Succession planning

Consideration has been given to tenure of Board members and potential future Board retirements and the impact of these on membership of the Board and its Committees, with particular attention given to succession arrangements for Alan Dickinson and Lord Lupton, as detailed above. The Committee's ongoing review of the structure, size and composition of the Board and its Committees helps ensure that the appropriate mix of knowledge, skills, experience and diversity is maintained. A summary of Board and Committee composition and attendance can be found on **page 79**.

The Committee also continues to consider the overall health and diversity of the executive talent pipeline, together with detailed executive succession planning. Key considerations include, for example, cultural and strategic capabilities which will help deliver the strategic aims of the Group's transformation programme. Further details on the Committee's approach to succession planning can be found on **page 95**.

Board effectiveness and training

An internally facilitated Board evaluation has been conducted this year, overseen by the Committee. Full details of how the review was undertaken, and its outcomes, are provided on **page 90**, together with a summary of progress against the actions arising from the 2022 external Board evaluation process carried out by Dr Tracy Long on **page 91**. The Committee considered the outcomes of the review and agreed, and recommended to the Board for approval, the actions arising from the review. During 2024, the Committee will continue to oversee implementation of the remaining actions from the 2022 review, together with outcomes from the 2023 review. The Committee has also undertaken an annual review of its effectiveness, the findings of which, together with the outcomes of the Board evaluation process as relevant to the Committee, were considered by the Committee at its January 2024 meeting; it was considered that the performance of the Committee continues to be effective.

The Committee also oversees training undertaken by the non-executive directors. The Chair discusses training with each non-executive director at least annually and, as set out in the summary of Board training on **page 92**, training sessions have been offered across a range of topics which complement the Board agenda, in addition to mandatory training requirements. Learning and engagement opportunities have been undertaken by all non-executive directors in relation to material aspects of the Group's business.

Independence and time commitments

Based on its assessment for 2023, the Committee is satisfied that, throughout the year, all non-executive directors remained independent[1] in character and judgement, and are independent directors for the purposes of the Code. Having served nine years on the Board in September 2023, the Committee gave specific and particularly rigorous consideration to Alan Dickinson's independence. On the basis of the continued robust and constructive challenge and oversight provided in his role, facilitated by his deep knowledge of the Group and significant retail and commercial banking experience, the Committee confirmed Alan's continued independence as a non-executive director. During the processes leading to the appointment of Cathy Turner as Senior Independent Director, consideration was given to Cathy's independence and overall time commitments to ensure that her other appointments could continue to be appropriately accommodated. Nathan Bostock's independence was considered as part of the appointment process and it was determined that he would be independent for the purposes of the Code. As discussed on **page 88** of the corporate governance report, consideration is also given to time commitments when directors seek to take on any additional external appointments.

In recommending directors for re-election at the annual general meeting, the Committee has reviewed the performance of each non-executive director and their ability to continue meeting the time commitments required, taking into consideration individual capabilities, skills and experiences and any potential conflicts of interest that have been disclosed. The external roles held by all directors were considered to be appropriate. Fuller details of any conflicts of interest can be found on **page 133**.

The Group's Corporate Governance Framework

The most recent annual review of the Corporate Governance Framework was finalised in April 2023. This review continued to build upon the simplification of the framework achieved during 2022, while ensuring it remains compliant with relevant obligations and best practice.

As part of its broader governance responsibilities, the Committee considered regular updates on developments in corporate governance during the year, including the Edinburgh Reforms, the Financial Reporting Council's consultation on proposed changes to the UK Corporate Governance Code, FCA and PRA consultations on Diversity & Inclusion in the financial sector and the Economic Crime and Corporate Transparency Act 2023. The Committee also considered correspondence with shareholders on governance issues.

UK Corporate Governance Code

The Company applied the UK Corporate Governance Code 2018 for the year ending 31 December 2023 and complied with all the provisions. A table in relation to the Company's compliance can be found on **page 71**.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board, all of which have been accepted during the year. The Committee's terms of reference can be found on the corporate governance page ↗ on our website.

Committee composition, skills and experience

To ensure a broad representation of experienced and independent directors, membership of the Committee currently comprises the Chair, Deputy Chair, Senior Independent Director (who is also the Chair of the Remuneration Committee) and the Chair of the Responsible Business Committee, together with a further independent non-executive director (who is the Chair of Scottish Widows Group).

1 The Chair was independent on appointment. Under the Code, thereafter the test of independence is not appropriate in relation to the Chair.

The Senior Independent Director of the Ring-Fenced Banks also attends meetings as an observer in order to provide insights on matters relevant to the Ring-Fenced Banks when required and as part of his role in the Group's overall governance structure.

The Group Chief Executive attends meetings as appropriate. Details of Committee membership and meeting attendance during the year can be found on **page 79**.

Succession planning

Succession planning, at both Board level and across key senior management roles, continued to be a core area of consideration for the Committee during 2023, with a particular focus on succession arrangements for Alan Dickinson.

Effective succession planning assists the Group in delivering on its strategic objectives over the medium and longer term by ensuring the desired mix of skills and experience of Board members and executives, this being particularly important as we continue to drive forward delivery of the Group's strategic and cultural transformation. The Board remains committed to ensuring the development of a diverse pipeline of current and future leaders across the Group's executive and management levels, through the provision of a range of development opportunities.

At an executive level, the Chair is responsible for developing and maintaining a succession plan for the Group Chief Executive who is, in turn, primarily responsible for developing and maintaining succession plans for key leadership positions in the senior executive team. As part of its regular oversight and review of the adequacy and effectiveness of succession arrangements for executive directors and members of the senior executive, the Committee received and discussed regular updates from the Group Chief Executive covering executive succession planning arrangements. These demonstrated the continuing strength and effectiveness of the Group's senior management succession planning, through the depth and diversity of the succession plans covering key senior management roles.

The Committee also supports the Chair in keeping the composition of the Board and its Committees under regular review and in leading the appointment process for nominations to the Board. This helps ensure continued focus on increasing the overall diversity of the Board and capacity for future succession planning, bearing in mind tenure of Board members and potential future retirements from the Board. The appointment process set out on the following page helps illustrate how this works in practice. In contemplating succession arrangements for Alan Dickinson as Senior Independent Director, the Committee considered both external and internal candidates, before making the recommendation to the Board that Cathy Turner be appointed as Senior Independent Director. Cathy's breadth of executive and non-executive experience was a key factor, helping demonstrate the strength of our succession planning arrangements and recruitment processes. In addition to the appointment of Nathan Bostock, the Committee continues to give consideration to the appointment of further non-executive representation to the Board.

The Chair leads an ongoing assessment of the Board's technical and governance skill set, on both an individual and collective basis, using a Board skills matrix to track the Board's strengths and to identify any gaps in the desired collective skills profile of the Board. Consideration is given to a range of factors such as the Group's future strategic direction and helping to ensure that due weight is given to diversity in its broadest sense. The skills matrix is considered in the appointment of all Board members. The Group's diversity commitments and outcomes of the Board evaluation process are also taken into consideration.

Succession planning also plays a key role in the recognition and promotion of diversity across the Board and senior management, further supported by a range of policies across the Group which promote the engagement of under-represented groups within the business in order to help continue to build a diverse talent pipeline. Further details can be found on **page 31**.

Appointment process – non-executive directors

The Committee leads the process for the appointment of non-executive directors, making recommendations to the Board for the appointment of preferred candidates. The process involves open advertising and the engagement of an external search firm to assist with the identification of potential candidates, based on criteria identified by the Committee. This generates a list of potential candidates for consideration, from which a short list of candidates is selected who are then interviewed by the Chair, with further interviews and meetings then being held with other members of the Board, as deemed appropriate. After further consideration the Committee makes its recommendations to the Board for formal approval. This is a formal, rigorous and transparent process, leading to appointments being made on merit and objective criteria, with due consideration being given to a broad range of factors such as diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and the Group's future strategic direction.

There were no additional non-executive directors appointed to the Board during 2023. The process described above has been followed in the appointment of Nathan Bostock; the Group will report further on that appointment process in its 2024 annual report.

The Committee gave particular consideration to the Senior Independent Director role recognising that, by September 2023, Alan would have served nine years on the Board. The Committee delegated authority to the Chair to lead the formal interview and selection process for this role and, supported by Alan, consideration was given to both external and internal candidates against criteria identified by the Committee. Russell Reynolds Associates, who were engaged in the process of identifying external candidates for consideration, as well as the process which resulted in Nathan Bostock's recruitment, have no connection with the Group or individual directors other than conducting leadership search and succession planning services and facilitating leadership performance services. The Committee was kept informed on progress and discussions were held with other Board members, from which the consensus view was a preference for an internal candidate, unless a significantly stronger external candidate was identified. The Chair subsequently canvassed all directors for their views and interviewed the candidates for the role, before the matter was further discussed by the Committee. This led to the Committee's recommendation, and the Board's approval, of the appointment of Cathy Turner as Senior Independent Director. Further information on this process can also be found on **page 4**.

Board diversity policy

The Board diversity policy (the Policy) sets out the Board's approach to diversity and provides a high-level indication of the Board's approach to inclusion and diversity in senior management roles which is governed in greater detail through the Group's policies.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition.

Objectives for achieving Board diversity are reviewed on a regular basis. On gender diversity, the Board is committed to maintaining at least four women Board members and over time will aim to reach 50 per cent representation of men and women on the Board to match the 50 per cent ambition that the Group has set for women in senior roles. Reflecting these aspirations, the Board will also aim to meet the recommendations set out by the FTSE Women Leaders. Currently, this Policy is not applied to Board Committees individually, although we strive to apply similar representation across the Committees. The Board is comfortable that the diversity of the Board is reflected across Committee memberships and that this remains an ongoing consideration. The representation of women on the Board is currently 45 per cent (based on five directors being women and six directors being men). As at 31 December 2023, the Group meets the three board diversity targets identified under Listing Rule 9.8.6R(9), namely that the Board comprises at least 40 per cent women, at least one of the chair, the chief executive, the senior independent director or the chief financial officer is a woman and at least one member of the Board is from a Minority Ethnic background. Further information disclosed in accordance with Listing Rule 9.8.6R(10) and (11) can be found on **page 136**.

The Group has also set a target of 13 per cent of senior roles to be held by Black, Asian and Minority Ethnic executives by 2025. The Board will therefore aim to reflect this goal with regard to Board members. As at 31 December 2023, the Board continues to meet the Board level recommendation of the Parker Review with two Black, Asian and Minority Ethnic Board members. As noted, the Board places high emphasis on ensuring the development of diversity in the senior management roles within the Group and supports and oversees the Group's ambition of achieving 50 per cent of senior roles held by women by 2025 and of 13 per cent of senior roles held by Black, Asian and Minority Ethnic colleagues by 2025 (including a minimum of 3 per cent of senior roles being held by Black Heritage colleagues). This is underpinned by a range of policies within the Group to help provide mentoring and development opportunities for women and Black, Asian and Minority Ethnic colleagues and to ensure unbiased career progression opportunities. Progress on this objective is monitored by the Board and built into its assessment of executive performance.

As at 31 December 2023, the representation of women within the Group Executive Committee and their direct reports was 46.2 per cent in total (with 46.7 per cent for the Group Executive Committee and 46.2 per cent for their direct reports). The representation of women across all senior roles was 40.1 per cent, and Black, Asian and Minority Ethnic representation in senior roles was 11.3 per cent. The Group's Race Action Plan, which was launched during 2020, aims to drive cultural change, recruitment and progression across the Group. This includes a goal to increase Black representation in senior roles from 0.6 per cent to at least 3 per cent by 2025. As at 31 December 2023, we have increased the representation of Black Heritage colleagues in senior roles to 1.7 per cent. Further details of the Race Action Plan, and the Group's further achievements in championing inclusion and diversity in its widest sense, can be found on **page 31**.

A copy of the Policy is available on the social sustainability page ↗ on our website and further information on the Board's broader approach to inclusion and diversity as part of its strategic priorities and continued investment in being a leading inclusive employer can be found on **pages 30 to 32**.

The integrity of our financial disclosures and the effectiveness of the internal control environment are key priorities for the Group

Sarah Legg
Chair,
Audit Committee

The Group's IFRS 17 transition and the impacts of external volatility have been key priorities during the year.

Key activities in 2023

- Reviewing and approving the Group's IFRS 17 transition document published in April 2023 and the new IFRS 17 disclosures included within the Group's annual report and accounts
- Supporting the close working of the Committees of the Board on matters relevant to sustainability
- Assessing the effects and action required on matters relevant to the remit of the Audit Committee (the Committee) as a consequence of external volatility

Q&A

Q What role has the Committee played in supporting transformation within the Finance function?

A The Committee has had the opportunity to review and challenge the plans and progress made with the Finance transformation and strategy, a multi-year programme that is critical to the success of Finance and the wider Group. The Committee has received regular updates from management on progress with the Finance transformation and has also heard from Internal and External Audit. The Committee has also had the opportunity to consider further areas which are key to supporting the transformation, including finance talent and succession plans.

Q How has the Committee supported the Group's sustainability reporting during the year?

A Throughout the year, the Committee has remained close to the developments in narrative reporting and how this is continuing to translate into financial statement disclosures. Progress on enhanced reporting processes and control environment across the social and environmental spectrum has been monitored, alongside development of new targets through to internal monitoring and external disclosure. The Committee supports the commitment to continuous improvement in sustainability reporting, which will remain a priority in 2024 given the pace of change with external standards.

Q Why has the work of the Committee been important in managing the impact of uncertainty on the Group's pension schemes?

A With an uncertain economic environment, including increased interest rates, the Committee continued to focus on the key valuation inputs to the accounting presentation of the Group's pension schemes. This included consideration of the underlying assumptions, in particular those relating to demographics and rates of inflation. The Committee noted the results of the triennial valuation of the main schemes as at 31 December 2022, which were also shared with the Board.

Introduction

I am pleased to report on how the Committee has discharged its responsibilities during what has been another busy year and I would like to start by thanking Committee members for their ongoing contributions to and continued support of the Committee's work. The Committee has also benefited from the participation of Ring-Fenced Bank-only directors, who attend the Committee as observers, bringing insight on matters relevant to the Ring-Fenced Banks. Also, I would like to welcome Amanda Mackenzie, who became a member of the Committee on 1 January 2024.

The Committee has again during 2023 worked closely with other Board Committees, in particular in matters relating to the Group's sustainability ambitions and climate-related disclosures. I am pleased to report that the joint Audit and Risk Forum, which was formed in 2022 to discuss governance topics of common interest, met again in 2023 providing an opportunity for both Committees to share thinking on areas of common interest.

Looking forward to 2024, in addition to our core responsibilities, the Committee will continue to monitor areas of continuous improvement on an end-to-end basis, and the audit plan to deliver focus from a risk perspective.

Committee purpose and responsibilities

The purpose of the Committee is to monitor and review the formal arrangements established by the Board in respect of the integrity of the financial reporting and narrative reporting of the Group and the Company. The Committee also monitors and reviews the independence and effectiveness of the internal and external audit functions, the effectiveness of the internal controls and the risk management framework and the adequacy and security of the arrangements for whistleblowing.

This includes the statutory audit of the consolidated financial statements and the independence of the statutory external auditor. The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board, all of which have been accepted during the year. A full list of responsibilities is detailed in the Committee's terms of reference, which can be found on our corporate governance page ↗ on the Group's website.

In satisfying its purpose, the Committee undertakes the functions detailed within Disclosure Guidance and Transparency Rule 7.1.3R. During the year the Committee considered a number of matters relating to the Group's financial reporting. These matters are summarised on the following pages, including discussion of the conclusions the Committee reached, and the key factors considered in reaching these conclusions.

In addition, the Committee considered a number of other matters not related directly to financial reporting, including internal controls, internal audit and external audit. These matters are also discussed in detail on the final page of the report.

Committee composition, skills, experience and operation

The Committee acts independently of the executive to ensure the interests of shareholders are properly protected in relation to financial reporting and internal control.

All members of the Committee are independent non-executive directors with competence in the financial sector, and their biographies can be found on **pages 74 to 75**. Sarah Legg is a Fellow of the Chartered Institute of Management Accountants and of the Association of Corporate Treasurers, with extensive knowledge of financial markets, treasury, risk management and international accounting standards. She is a member having recent and relevant financial experience for the purposes of the UK Corporate Governance Code and is the Audit Committee financial expert for SEC purposes.

During the course of the year, the Committee held separate sessions with the internal and external audit teams, without members of the executive management present.

The Committee undertook an annual review of its effectiveness, the findings of which, together with the outcomes of the Board evaluation process as relevant to the Committee (which, for 2023, was internally facilitated) were considered by the Committee at its January 2024 meeting. It was considered that the performance of the Committee continues to be effective.

While the Committee's membership comprises the non-executive directors noted on **page 79**, all non-executive directors may attend meetings as agreed with the Chair of the Committee.

The Group Financial Controller, Chief Internal Auditor, the external auditor, the Group Chief Executive, the Chief Financial Officer and the Chief Risk Officer also attend meetings as appropriate. Details of Committee membership and meeting attendance can be found on **page 79**.

Matters considered during 2023

	Jan	Feb	Apr	Jun	Jul	Oct
Reporting						
Review of external reporting documents	●	●	●		●	●
Significant accounting judgements	●	●	●	●	●	●
Going concern assumption/viability statement		●			●	
Regulatory reporting		●	●	●		●
Sustainability-related reporting		●		●		●
Activities of subsidiary audit committees	●	●			●	●
Updates on IFRS 17	●	●	●	●		●
Audit and corporate governance reforms	●		●	●	●	●
Control environment						
Control update (including Sarbanes-Oxley)	●	●	●		●	●
Annual review of risk management framework and control effectiveness review summary	●					

	Jan	Feb	Apr	Jun	Jul	Oct
Group Internal Audit						
Reports from Group Internal Audit, including Speak Up (whistleblowing)	●		●		●	●
External audit						
Reports from the external auditor (including external audit plan)	●	●	●	●	●	●
Reappointment, remuneration, non-audit services and effectiveness		●	●		●	●
Other						
Audit Committee effectiveness review	●					
Finance strategy and transformation			●			●

Financial reporting

During the year, and in relation to the year ended 31 December 2023, the Committee considered the following issues in relation to the Group's financial statements and disclosures, with input from management, the Risk division, Group Internal Audit and the external auditor.

Areas of focus

	Key issues	Committee review and conclusion
Allowance for impairments on loans and advances 31 December 2023: £4,084 million 31 December 2022: £4,903 million	The Group's impairment provision is dependent on management's judgements on matters such as future interest rates, house prices and unemployment rates, as well as its assessment of the current financial position of its customers.	During the year, the Committee has reviewed the level of provision held for expected credit losses (ECL) by the Group and the judgements and estimates used to calculate the provision. The most significant judgemental adjustment in 2023 has been in respect of inflationary pressures and interest rate risk. The Group continues to benefit from investment in ECL models, overseen by the Committee, to deliver impact assessments and sensitivity analysis more quickly and accurately. This has been particularly relevant given the constantly changing economic outlook in 2023. Note 24 to the financial statements includes details of the Group's ECLs allowances, including those resulting from judgemental adjustments (31 December 2023: £28 million; 31 December 2022: £330 million), and a discussion of the improvements the Group has made to its consideration of climate risk on the ECL The Committee has reviewed management's rationale for these provisions and has challenged whether their inclusion and quantification are appropriate. It also considered management's assessment of climate risk impacts on ECL and the conclusion that no adjustment was required. **Conclusion:** The Committee was satisfied that the impairment provision and the disclosures provided in the financial statements were appropriate.

	Key issues	Committee review and conclusion
Going concern and viability statement	The directors are required to confirm whether they have a reasonable expectation that the Company and the Group will be able to continue to operate and meet their liabilities as they fall due for a specified period. The viability statement must also disclose the basis for the directors' conclusions and explain why the period chosen is appropriate.	The Committee assisted the Board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the Company and the Group. These assessments were based on the Group's operating, funding and capital plans which included consideration of climate-related matters on the Group's performance and its projected funding and capital position. The Committee also took into account the results of the Group's stress testing activities (**page 143**), its principal risks (**page 40 to 43**) and its emerging risks (**page 44**). **Conclusion:** The Committee determined that the going concern basis of accounting was appropriate and advised the Board that three years was a suitable period of review for the viability statement and that the viability statement could be provided. The viability statement is disclosed within the directors' report on **page 45**.
Uncertain tax provisions	The Group has open tax matters which require it to make judgements about the most likely outcome for the purposes of calculating its tax position.	The Committee reviewed management's assessment of the Group's uncertain tax positions, which took into account the views of the relevant tax authorities and any external advice it received. In particular, it considered the Group's claim for group relief of losses incurred in its former Irish banking subsidiary. **Conclusion:** The Committee was satisfied that the provisions and disclosures made in respect of uncertain tax positions were appropriate.
Retirement benefit obligations 31 December 2023: £30,201 million 31 December 2022: £28,965 million	The value of the Group's defined benefit pension plan obligations is determined using both financial and demographic assumptions.	The Committee reviewed the process used by management to determine appropriate assumptions to calculate the Group's defined benefit liabilities. These included the discount rate, the future rate of inflation and expected mortality rates. **Conclusion:** The Committee was satisfied that management had used appropriate assumptions that reflected the Group's most recent experience and were consistent with market data and other information.
Insurance liabilities 31 December 2023: £120,123 million 31 December 2022: £110,278 million	Determining the value of the Group's liabilities arising from insurance and participating investment contracts requires management to make significant estimates for both economic and non-economic actuarial assumptions.	The Committee considered updates from management and from the Group's Insurance Audit Committee summarising its activities, which included a review of the economic and non-economic assumptions made by management to determine the carrying value of Group's liabilities arising from insurance and participating investment contracts. The assumptions discussed were in respect of workplace pension persistency, annuitant longevity and expenses. **Conclusion:** The Committee was satisfied that the assumptions used to calculate the Group's liabilities arising from insurance and participating investment contracts were appropriate.
Conduct risk provisions Year ended 31 December 2023: £675 million Year ended 31 December 2022: £255 million	Management judgement is used to determine the expected costs of remediation and, where appropriate, the related administration costs.	The Committee has received regular updates on the Group's conduct risk matters and the progress it has made including updates on HBOS Reading and in relation to the recently announced FCA review of historical motor finance commission arrangements. **Conclusion:** The Committee has considered management's assessment of the Group's provision for conduct-related matters and was satisfied that the provisions were appropriate, noting a high level of uncertainty in relation to these estimates.

Other significant matters

The following matters were also considered by the Committee.

Risk management and internal control systems

Full details of the internal control and risk management systems in relation to the financial reporting process are given within the risk management section on **pages 138 to 196**. Specific related matters that the Committee considered for the year included:

- The effectiveness of systems for internal control, financial reporting and risk management
- The extent of the work undertaken across the Group to ensure that the control environment continued to operate effectively
- The major findings of internal investigations into control weaknesses, fraud or misconduct and management's response, along with any control deficiencies identified through the assessment of the effectiveness of the internal controls over financial reporting under the US Sarbanes-Oxley Act (SOX). Specifically the Committee continued to closely monitor the deficiencies identified in respect of privileged and user access across certain business applications and associated IT infrastructure and the Group's plans to address the control findings identified

The Committee was satisfied that internal controls over financial reporting were appropriately designed and operating effectively.

Risk-weighted assets (RWA) and regulatory reporting

The focus on the quality of regulatory reporting continues to be high on the PRA's agenda. To date, a number of skilled person independent reviews have been commissioned across the industry to review the governance, controls and processes supporting the regulatory reporting framework within firms. Across the first, second and third lines of defence management continue to focus on strengthening the control environment in regulatory reporting with a link to longer-term and strategic initiatives also being considered.

The ongoing programme of external assurance on regulatory reporting commissioned by the Committee has to date focused on risk-weighted assets. Management have provided regular updates to the Committee over the year to highlight progress made in improving the reporting control environment across a number of regulatory reports.

IFRS 17

The Committee has received updates throughout the year on both the financial and controls impact of the Group's adoption of IFRS 17. It reviewed the Group's transition document published in April 2023, which included the significant judgements and estimates, including those relating to the drawdown feature added to some of the Group's pension products, that affect the reported amounts and the accounting policy choices made by the Group.

Restoring trust in audit and corporate governance

During the year the Committee has received updates on the responses of the Government and the Financial Reporting Council (FRC) to the white paper 'Restoring trust in audit and corporate governance'. The Committee recognises the importance of an effective corporate reporting and governance framework that is proportionate and does not significantly impact the attractiveness of the UK as a place to do business. The Committee is supportive of the Government's decision to withdraw the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 so that it can deliver a more targeted, simpler and effective framework for both businesses and investors.

The Group notes that on 22 January 2024 the FRC issued a revised UK Corporate Governance Code which will be effective from 1 January 2025 apart from the updates to the provision on the monitoring and review of a company's risk management and internal control framework which are effective from 1 January 2026.

Speak Up (the Group's whistleblowing service)

The Committee received and considered reports from management on the Group's whistleblowing arrangements. The Committee reviewed the reports to ensure there are arrangements in place which colleagues can use in confidence and without fear of retaliation. In addition, colleagues are able to report concerns about inappropriate and unacceptable practices; these arrangements are well publicised and there is proportionate and independent investigation of such matters or appropriate follow-up. The Committee reported on its consideration of whistleblowing arrangements to the Board.

Sustainability reporting

The Committee discussed and challenged the Group's progress with sustainability related reporting. Developments in UK companies regulation requirements for climate-related financial disclosure alongside emerging environmental sustainability reporting frameworks have been considered, assessing the near term and future impacts on external disclosures. As previously, the Committee benefited from a dedicated teach-in session focusing on the Group's capabilities and progress with the production of climate and sustainability reporting and associated data, the enhanced control environment, and the developments with governance and assurance. Further discussion on sustainability governance can be found on **pages 84 to 85**.

Group Internal Audit

In monitoring the activity, role and effectiveness of the internal audit function and their audit programme the Committee:

- Approved the annual audit plan and budget, including resource
- Reviewed progress against the plan through the year with updates including quarterly reports on the activities undertaken and six-monthly updates as a result of reviews by the internal audit Quality Assurance team
- Considered the major findings of significant internal audits, and management's response
- Monitored the progress of internal audit's coverage of key risk themes across the Group, including strategic delivery, cultural transformation, cost of living, Consumer Duty, supplier partnerships, capital efficiency, transition to net zero and data quality
- Continued to monitor completion of enhancements identified by the third party who assessed the effectiveness of the internal audit function in 2021

Finance strategy and transformation

Significant investment has been committed to transform the Finance function, including the near-term deliverables of a new General Ledger across the Group in 2025 in addition to the transformation of processes and procedures across the financial data landscape and costs and investment management. This multi-year transformation journey incorporates significant improvements and efficiencies to the Group, with the Committee receiving timely updates with regard to the proposed plans, progress with them, and the associated financial and non-financial benefits.

Auditor independence and remuneration

The Committee is responsible for establishing the Group's policies and procedures designed to protect the independence and objectivity of the external auditor. In April 2023, the Committee reviewed its non-audit services policy; no substantive changes were made to the policy.

The policy details those services that the auditor is permitted to carry out and pre-approves certain of these services provided the fee is below a threshold; all other permitted services must be specifically approved in advance by the Committee. Prior to the engagement of the auditor for a permitted service, the policy requires that senior management confirms whether the Committee has pre-approved the service or specific approval is required. The total amount of fees paid to the auditor for both audit and non-audit related services in 2023 and further information on the policy is disclosed in note 17 to the financial statements.

External auditor

Following an external audit tender in 2018, Deloitte LLP (Deloitte) was appointed as auditor of the Company and the Group with effect from the 2021 financial year. Mike Lloyd is the statutory audit partner for the Group and attends all meetings of the Committee.

The Committee oversees the relationship with the external auditor including its terms of engagement and remuneration and monitors its independence and objectivity. During 2023, the Committee reviewed Deloitte's audit plan, including the underlying methodology, and Deloitte's risk identification processes. In its assessment of Deloitte's performance and effectiveness, the Committee has considered: Deloitte's interactions with the Committee; the responses to a questionnaire issued to the Group's businesses, Finance, Risk and Internal Audit; and the FRC's Audit Quality Inspection Report published in July 2023. The Committee concluded that it was satisfied with the auditor's performance and recommended to the Board a proposal for the reappointment of the auditor at the Company's annual general meeting.

Statutory Audit Services compliance

The Company and the Group confirm compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services, for the year to 31 December 2023. There are no plans as at the date of this report to conduct a tender exercise for external audit services.

Audit Committees and the External Audit: Minimum Standard

While not mandatory the Group is broadly compliant with Audit Committees and the External Audit: Minimum Standard published by the FRC in May 2023.

Operational resilience and sound risk management are fundamental to the strength of the Group

Catherine Woods
Chair, Board Risk Committee

Delivery of the Group's strategic and cultural transformation will help strengthen the management of risks which have the potential to impact the Group and its customers.

Key activities in 2023

- Overseeing the Group's strategic transformation and management of change and execution risks
- Considered the impacts of the rising cost of living, higher interest rates and inflation, macroeconomic uncertainties, and geopolitical risks on both the Group and its customers
- Overseeing the embedding of the Group's operational risk and control framework and discussing evolution of the broader risk framework
- Assessing the management of operational resilience risks, including cyber, supply chain management and technology risks, data risks and artificial intelligence
- Overseeing management of financial crime risks and consumer fraud
- Overseeing continued progress on the Group's climate risk framework and net zero transition
- Reviewing management of the Group's funding and liquidity risks including structural hedge activity
- Assessment of key emerging risks and oversight of strategic risks

Q & A

Q How has the Board Risk Committee (the Committee) assessed the challenges and uncertainties of the external environment, and the potential impacts of these on the Group's strategy and its customers?

A The Committee is acutely aware of the breadth of challenges which the external environment and ongoing macroeconomic and geopolitical uncertainties continue to present. The Committee continues to use deep dives to focus on specific topics of interest. Areas such as credit and market risk, and the associated impacts of continued high interest rates and inflation, climate risk, cyber and data risks and economic crime prevention have all featured highly on the Committee's agenda during the year, with consideration being given to actions being taken by management to not only mitigate risks, but to ensure appropriate support for customers and businesses. Further information is set out on the following pages, within the commentary on each risk type.

Q In recognition of the external environment, what further consideration has the Committee given to progress with implementation of the Group's strategic transformation and how successful delivery of the transformation could be impacted?

A The Committee received regular progress updates on the Group's strategic transformation throughout the year. It also considered a number of deep dives on the Group's control environment, together with a range of areas core to ensuring the Group's operational resilience is maintained. This ensures the Committee has an appropriate view of overall progress and visibility of core areas such as the Group's critical business processes and important business services. These updates and deep dives provide the Committee with the opportunity to challenge management on progress and action being taken to mitigate risks. Further information on a number of these areas is covered throughout this report.

Q What are the key areas of focus for the Committee in 2024?

A The Committee will continue to focus on broadly the same areas as have been central to its discussions this year. As part of the Committee's forward planning of activities, regular reviews are undertaken of areas that the Committee wishes to give additional focus to through, for example, the use of deep dives. This provides an appropriate balance between forward planning and flexibility, helping ensure focus on the Group's most material risk types and any other areas of specific interest. The year ahead will see a broad range of topics covered, with these anticipated to include areas such as operational resilience, the Group's control environment, credit reviews in key sectors, climate risk and people risks, amongst others.

Introduction

I am pleased to report on how the Committee has discharged its responsibilities during the year and would like to thank fellow Committee members for their valued contributions throughout the year. I also take this opportunity to welcome Cathy Turner, who was appointed as a member of the Committee with effect from 1 February 2024. The external environment continued to present a variety of challenging, and evolving, considerations for the Committee, with areas such as cost of living and continued high interest rates, inflationary pressures and macroeconomic uncertainties which notably included the failure of a small number of banks, driving impacts across the broader economy.

The Committee has continued to focus on risks related to delivery of the Group's strategy, including various aspects of operational and technology resilience, data and cyber risks, people risks and supply chain management, together with overall change and execution risk. Additional oversight is also given to a number of these areas through the IT and Cyber Advisory Forum, which supports the Committee.

Consideration has also been given to credit risk, with deep dives across various areas of the business, alongside regular reporting and updates from the Chief Risk Officer assessing the overall credit environment and economic crime where the Committee considered the impacts and mitigating actions being taken. The Committee was also kept updated on progress with implementation of the Group's Consumer Duty Programme and progress on new prudential modelling requirements relating to credit risk capital models and market risk models. Each of these areas is covered in more detail throughout this report.

Committee purpose and responsibilities

The Committee assists the Board in fulfilling its risk governance and oversight roles and responsibilities. The Committee is also responsible for ensuring the risk culture is fully embedded and supports at all times the Group's agreed risk appetite, including the extent and categories of risk which the Board considers as acceptable for the Group to bear. A review and update of the Committee's terms of reference was completed during the year, with no material changes being made.

The Committee is responsible for reviewing and reporting its conclusions to the Board on the Group's risk management framework, which captures risk principles, policies, methodologies, systems, processes, procedures and people.

This also includes the review of new, or material, amendments to risk principles and policies and overseeing any action resulting from material breaches of such policy. During the year, the Committee discussed the development of the Group's broader risk management framework and risk taxonomy, which will be an area of further focus in 2024.

More details on the Group's wider approach to risk management can be found in the risk management section on **pages 137 to 196**. Full details of the Committee's responsibilities are set out in its terms of reference, which can be found on the corporate governance page ↗. on our website.

Committee composition, skills, experience and operation

There were no changes to the membership of the Committee during the year. As announced on 25 January 2024, Cathy Turner, Senior Independent Director, was appointed as a member of the Committee with effect from 1 February 2024. Two of the three designated independent non-executive directors of the Ring-Fenced Banks also attend meetings as observers in order to provide insights on matters relevant to the Ring-Fenced Banks when required and as part of their role in the Group's overall governance structure. The Chief Risk Officer has full access to the Committee and attends all meetings. The Chief Internal Auditor and members of the executive also attend meetings as appropriate. Details of Committee membership and meeting attendance can be found on **page 79**.

The Committee undertook an annual review of its effectiveness, the findings of which, together with the outcomes of the Board evaluation process as relevant to the Committee (which, for 2023, was led by the Company Secretary), were considered by the Committee at its January 2024 meeting; it was considered that the performance of the Committee continues to be effective. Details of the Board evaluation process can be found on **page 90**.

As the most senior risk committee in the Group, the Committee interacts with other related risk committees, including the executive Group Risk Committee. These interactions help ensure the appropriate escalation of relevant matters to the Committee for review and consideration.

Matters considered by the Committee

During 2023, the Committee considered a wide range of risks facing the Group and its Ring-Fenced Banks, both current and forward-looking, across all key areas of risk management, in addition to risk culture and risk appetite. The Committee continues to focus on key risk topics through, for example, the use of deep dives to provide greater analysis of particular topics and associated risks.

The following pages provide a summary of the risks considered by the Committee, together with an outline of the material factors considered and the conclusions which were ultimately reached. The Committee continues to be supported by the IT and Cyber Advisory Forum, which dedicates additional time and resource to reviewing and challenging risks associated with IT infrastructure, IT strategy, IT resilience and cyber risks. The Chair and other members of the Committee attend this Forum.

The Board Risk Committee Chair is a member of the Audit Committee, in addition to the Audit Committee Chair being a member of the Board Risk Committee; this close interaction continues to help ensure that common issues of interest are addressed appropriately. A further Group-wide Audit and Risk Committee Forum was held during the year, following a similar forum in 2022. This provided an opportunity for members of both Committees to discuss key areas of common interest and enhances interaction across these Committees. Further information about this Forum can be found on **page 92**. There continues to be regular interaction with other Board Committees, in particular, with the Responsible Business Committee on climate risk and Consumer Duty, and with the Remuneration Committee on the alignment of remuneration to risk performance. This is further illustrated in the table of Board Committee cross-membership set out on **page 89** of the corporate governance report.

The Committee also reviewed regular updates from the non-Ring-Fenced Bank and Insurance sub-groups, headed up by Lloyds Bank Corporate Markets plc and Scottish Widows Group Limited respectively, summarising key discussions and decisions taken at the relevant entities' risk committees.

Key activities for the year

Risk type	Key issues	Committee review and conclusions
Conduct risk		
Rectifications and complaints	The Group's management of customer rectifications; resolving customer complaints in a timely and fair manner, together with eradicating the complaint causes through root cause analysis.	During 2023, the Committee received updates on the Group's complaints and rectifications performance. For rectifications, the Committee has been kept informed of progress in dealing with customer remediation and process improvement activity as well as any new rectifications being identified. The Committee has also been appraised of key themes and progress against complaint-related appetite metrics, performance relative to peers and the challenges faced in the current landscape. Further investment has been allocated to improving the efficiency and efficacy of complaint handling. The Committee has also considered regular updates in relation to historical motor finance commission arrangements. **Conclusion:** This will continue to be a key area of focus for the Committee. In particular, supporting the actions being taken to improve time taken to handle complaints and rectifications, deliver good outcomes for customers and to ensure that lessons are learned to minimise future events.

Risk type	Key issues	Committee review and conclusions
Consumer Duty	Implementation and embedding of the FCA's new Consumer Duty rules across the Group.	The Committee has received updates on the Consumer Duty Programme during 2023. The Group's implementation plan was approved by the Responsible Business Committee in July in line with FCA requirements. As a critical element of Consumer Duty, it is vital that focus remains on the delivery of the key cultural initiatives, the development of Group management information reporting, enhancing customer communication and third party requirements. There will be ongoing engagement and transparency with regulators through quarterly meetings. **Conclusion:** The Committee recognises the significance of the embedding of the Consumer Duty requirements and will monitor the ongoing delivery and evolution as well as the closed book July 2024 delivery date.

Financial risks – covering credit and market risk

Risk type	Key issues	Committee review and conclusions
Commercial credit quality	Risks and external threats to commercial credit performance, including impacts related to a higher interest rate environment, together with sectors potentially exposed to climate risks.	The Committee provided oversight of the Commercial Banking portfolio via regular credit quality papers, sector deep dives and spotlight reviews, including large single name exposures. Specific consideration is given to topics on a risk profile basis and this year there were deep dives on the Group's Agriculture portfolio and exposures to both the shadow banking sector and Liability-Driven Investments (LDIs). Discussion was also held regarding progress against roadmaps to fully embed risk-adjusted returns into active portfolio management as well as credit strategies for new origination flow. Detailed reviews allowed the Committee to assess risk levels and credit exposures, as well as clients requiring closer risk management. This includes the active engagement of the Business Support teams with Commercial customers. The Committee also reviewed emerging risks across a range of sectors, including those considered more vulnerable to the wider economic backdrop or structural change and those exposed to increased levels of physical and transitional climate risk; specific spotlights focused on utilities and real estate office exposures. **Conclusion:** While recognising the risks in the portfolio, the Committee was satisfied that management was continuing to take appropriate action to mitigate and address current and horizon risks, while preparing to manage an expected increase in defaults in 2024 as a result of economic headwinds including inflation and higher interest rates.
Consumer credit quality	Risks relating to Consumer lending, including impacts of higher cost of living, a higher interest rate environment and climate risks. Customer affordability and indebtedness is a key focus.	The Committee reviewed the performance of the Consumer portfolio via regular credit quality updates. Consideration is given to topics on a risk profile basis and this year additional focus was given to the Homes and Transport portfolios, as well as progress against the roadmap to fully embed risk-adjusted returns into active portfolio management as well as credit strategies for new origination flow. Enhanced monitoring is in place to provide early warning of any adverse trends requiring further action and the Group continues to closely monitor and manage higher risk segments, such as customers with higher indebtedness levels or lower incomes. Specific attention has been given to mortgages, given the impact of increased interest rates on variable rate customers and those coming to the end of fixed rate periods. **Conclusion:** The Committee is satisfied that appropriate lending controls and monitoring are in place to control risks across the Consumer lending portfolios and that there is an effective framework in place for ongoing risk management as well as significant support for customers in financial difficulty.
Balance sheet management and structural hedge	Management of the Group's balance sheet, liquidity and structural hedging programme in an environment of uncertain customer behaviour, high interest rates and high-profile market events.	A key focus for the Group in 2023 has been the management of the balance sheet and resulting market and liquidity risks through periods of significant volatility driven by higher interest rates and uncertainty over customer behaviour in a world of increasing digitalisation. Updates were presented to the Committee on the LDI crisis, bank failures and the growth of the shadow banking sector, as well as the monitoring and management of risks due to changes in the volume and mix of customer deposits. The Committee discussed the risks associated with the current strategy, the management of those risks and the lessons that the Group has learned from the events of the year. **Conclusion:** Close monitoring of the associated risks continues and any relevant lessons learned were incorporated into the measurement and management of market and liquidity risk. The Committee was satisfied that management was taking the appropriate actions to monitor and mitigate the risks, while recognising that this will remain a key priority in 2024 as the macroeconomic outlook and global political environment continue to evolve.

Key activities for the year continued

Risk type	Key issues	Committee review and conclusions
Model risk	Model risk continues to be an area of significant activity and importance, both internally and externally.	The Committee continued to receive updates on the progress to satisfy new prudential modelling requirements relating to credit risk capital models (primarily the new Capital Requirements Directive (CRD) IV regulations) and market risk models within Interbank Offered Rate (IBOR) transition activities. Committee oversight was also focused on wider issues such as the model risk management and governance approach and the increased resources required for these as we proactively enhance the framework and capabilities to meet increasing internal and external demands, including those relating to Supervisory Statement 1/23. The Committee was also kept abreast of model risk management activity relating to advanced analytics (such as machine learning/artificial intelligence) models and associated aspects such as data ethics and climate, as the Group continues to develop its capability in these areas. **Conclusion:** The Committee is comfortable that the development of new model types is subject to appropriate risk control and will continue to oversee the development of the management and control framework for model risk, as required by the Supervisory Statement 1/23. The Committee will continue to oversight CRD IV and IBOR prudential change related submissions.

Climate risk

Risk type	Key issues	Committee review and conclusions
Climate risk	Risks associated with the Group's role in supporting the transition to net zero and evolving regulatory expectations.	The Committee continues to be engaged on the Group's progress in developing climate risk capabilities, particularly in relation to current and developing regulatory requirements, as well as the key choices faced as part of the Group's environmental sustainability strategy. Regular updates and periodic deep dives are provided to support the Committee's oversight. In 2023, the Committee was provided with an overview of activity across the Group to meet climate-related regulation requirements. Regular climate risk updates have also included management information covering key physical and transition risks across the Consumer, Commercial and Insurance portfolios. The Committee also discussed the Group's implementation of its net zero strategy and the key strategic levers and participation choices facing different areas of the business. **Conclusion:** The Committee recognises the challenges associated with net zero and dependencies on the wider external landscape, however, maintains the importance of the need to support the transition as part of the Group's wider purpose of Helping Britain Prosper. This will require difficult choices, which will continue to be monitored and discussed, as well an ongoing capability development, building on further progress made over the last 12 months.

Operational risk

Risk type	Key issues	Committee review and conclusions
Operational risk management framework	Completing the embedding of One Risk and Control Self-Assessment (One RCSA) to strengthen risk culture, simplify the risk and control environment, achieve better customer outcomes, increasing the pace of change and operational efficiency.	The Committee was provided with regular updates on embedding of One RCSA ahead of completion by year-end 2023. The Committee noted the emerging benefits, with greater self-identification of issues by business teams, fewer repeat audit findings and continued reduction in the number of material events. One RCSA laid the foundations for a broader evolution of the Group's risk management framework. The evolution has been a key area of Committee focus in 2023. Defined targets were cascaded on the automation of controls over a three-year time horizon, with each business unit CEO presenting individual plans to the Committee. Whilst it is fit for purpose, the Committee has also discussed the evolution of the broader risk framework, to ensure it truly enables the Group's strategic ambitions. Proposals to change the Group's risk taxonomy and reimagine the 'three lines of defence' operating model were discussed and will shape activity into 2024. **Conclusion:** The Committee recognises efforts to embed One RCSA and achieve a significant milestone in the Group's risk and control management journey. This represents a strong foundation from which the Group can maintain ongoing control over its key risks, while seeking to optimise the associated people, processes and technology, to ensure risk and control can become a true enabler for the Group's strategic ambitions.

Risk type	Key issues	Committee review and conclusions
Operational resilience (IT resilience, cyber, and supplier management)	Operational resilience remains one of the Group's most important non-financial risks. We continue to enhance our resilience to better serve customers and to address regulatory priorities.	The Committee has received reports on the Group's overall maturity against a suite of operational resilience capabilities and on the refinement of the impact tolerances of important business services. The Committee has also reviewed Group-wide self-assessments covering progress on the enhancements needed to ensure our important business services can be recovered within impact tolerance by March 2025 (in response to regulatory policy statements on operational resilience published in March 2021). Close attention has been paid to the Group's management of its contracts with its suppliers to ensure resilience of services to customers. Given the significance of the risk to the Group, the Committee is supported by the IT and Cyber Advisory Forum specifically focused on IT and cyber risks. **Conclusion:** The Committee has requested further specific updates on the progress of the Group-wide Operational Resilience Programme, the impact of investment on operational resilience and the way in which data is used to support management decisions around operational resilience.
Data risk	Data strategy plans to remediate legacy and emerging risk challenges in the Group's data control environment to enable strategic objectives.	Data risk continues to be an area of significant regulatory and media attention, particularly relating to new technologies such as artificial intelligence. Frequent updates have been provided to the Committee on the progress of the data strategy in response to legacy and emerging data risk challenges including on data quality and lineage controls and enhancing the Group's governance framework e.g. around Data Ethics. **Conclusion:** The Committee continues to be supportive of the data strategy and approach, recognising the complex roadmap of initiatives planned over a number of years. Delivery of the data strategy is critical, given data is a key enabler for good customer outcomes and the overall Group strategy.
People and health and safety risk	Managing people risks arising from the cultural transformation of the workforce will be critical to ensure we attract and retain the right skills and capabilities to deliver our strategy.	People risk remains a key focus of the Committee, reflecting the scale and complexity of change required to the skills composition and size of our workforce. The Committee considered the current, emerging and horizon risks arising from the people plan and how these would be effectively monitored and managed with continued focus on culture, capability and capacity, colleague proposition, health and safety and wellbeing. The Committee also considered a deep dive on health and safety which highlighted enhancements to the framework, bringing more rigour and management focus to ensure we create a safe and healthy workplace. **Conclusion:** The Committee supports the people plan and acknowledges that delivering the plan is critical to increasing our capability and capacity to deliver change faster as we move purposefully towards a high performing culture. People risk will remain a key area of focus in 2024 as the transformation journey continues.
Strategic transformation oversight	Risks associated with the extensive current and future Group strategic change agenda, recognising challenges faced in ensuring both successful delivery and implementation of change.	The Committee has reviewed the portfolio performance on a regular basis, focusing on the Board metric outcomes and underlying deliverables, which supports the Group's strategic growth ambitions. The focus for 2023 has centred on embedding the new platform-based operating model and ensuring management is learning from the root causes of any delivery delays. The Committee, with the IT and Cyber Advisory Forum, also increased its monitoring of the safe delivery of change for important business services with dedicated deep dives undertaken throughout 2023, which is critical to ensure we avoid customer harm and minimise operational incidents. **Conclusion:** The Committee will continue to focus on the management of change and execution risk within appetite and on monitoring the outcomes being achieved. The Committee will review how the expected evolution of the platform model and agile change delivery approach is undertaken in 2024. Enhancing resilience in relation to our important business services remains a priority, ensuring that any strategic transformation delivered does not cause customer harm or compromise our operational resilience posture.

Key activities for the year continued

Risk type	Key issues	Committee review and conclusions
Fraud	The Group's management of fraud risk, while continuing to minimise the impact on genuine customer journeys.	Fraud, accounting for over 40 per cent of all crime in the UK according to the Home Office policy paper (Fraud Strategy: stopping scams and protecting the public) published in May 2023, remains a priority for the Group. Updates were provided to the Committee in 2023 related to the Consumer fraud programme and the Group's preparations for new Payment Systems Regulator (PSR) reforms. Committee members acknowledged the progress made and supported the ongoing focus on and investment into improved detection capabilities and customer fraud remediation. The Committee noted the investment ring-fenced to ensure the Group meets new PSR policy requirements coming into force in 2024. **Conclusion:** The Committee welcomed the progress made and supports the forward plan for 2024 to improve detection capabilities and customer fraud response and remediation. The Committee will continue to be updated in 2024 on the delivery of the PSR policy requirements.
Money laundering and financial crime	The Group's management of financial crime risks and compliance with the UK's anti-money laundering regime.	Financial crime continues to be a source of significant external threats and remains a regulatory priority. Updates have been provided to the Committee throughout 2023 including the annual Money Laundering Reporting Officer's Report, an update on the Group's Ongoing Know Your Customer programme and a Group-wide Economic Crime deep dive review. Committee members have been supportive of the actions being taken by management; and noted that as financial crime risks continue to evolve and increase there is a continued need to prioritise investment to maintain an effective, risk-based and threat-led control environment. **Conclusion:** The Committee is supportive of the actions being taken to manage financial crime risks and supports management's continued investment to remain effective in the face of increasing threats. The Committee will continue to be updated in 2024 on key deliverables across the programme.

Other categories

Risk type	Key issues	Committee review and conclusions
Regulatory and legal risk	Managing regulatory and litigation risk is a key focus within the Group.	The Committee has provided oversight to ensure effective controls are in place to comply with existing regulatory obligations, including consideration of these at an individual legal entity level. The Committee considered regular updates on emerging regulatory and legal risks. In addition, the Committee has continued to closely monitor a number of significant regulatory change and oversight programmes, such as risk-free rates transition; model risk management and ring-fencing reforms. In particular, the Committee has also reviewed regular progress updates on the enhancements to the Group's Recovery and Resolution planning, including fire drill activities. **Conclusion:** The Group places significant focus on complex regulatory changes and litigation risk, as well as ensuring effective horizon scanning of upcoming trends and evolving risks. The Committee has discussed the topics raised and will continue to closely monitor compliance with regulatory requirements in 2024.
Emerging and strategic risk categories	Continued evolution of the Group's emerging risk landscape and methodology with greater focus on geopolitical risks. Incorporation of strategic risk themes into the Group's business planning process.	The Group's focus on the emerging risk landscape and assessment approach has continued to be refined during 2023. A series of deep dives on the top emerging risk themes from 2022 have taken place during the year. In addition, geopolitical risks have been a focus and how these may generate second order impacts for the Group. The 2023 emerging risk landscape has been simplified, combining emerging and strategic risks into a single view. The Committee is supportive of the updated approach and approved the revised emerging risk themes. **Conclusion:** Ensuring the Group understands the emerging risk landscape and its level of preparedness remains a key priority. In 2024, the Committee will continue to monitor the emerging and strategic risk trends, supported by targeted deep dives, considering their potential impacts and mitigating actions.

Responsible business is at the core of our purpose of Helping Britain Prosper

Amanda Mackenzie
Chair, Responsible Business Committee

Responsible business means delivering good outcomes for our customers and building a more sustainable and inclusive future for people and businesses.

Key activities in 2023

- Becoming a purpose-driven organisation
- Tackling social and environmental challenges
- Engaging our employees to deliver cultural change
- Delivering on our duty to customers and stakeholders

Q & A

Q What are the Responsible Business Committee's (Committee) priorities for 2024?

A We made significant strides in transforming the Group and embedding purpose in our decision making and behaviours in 2023. The next year will be important in ensuring we continue to support colleagues, customers and communities and deliver on our focus areas of providing access to quality housing, unlocking regional development, greening the built environment and promoting financial resilience and inclusion.

Q What role does nature play in your environmental sustainability ambitions?

A Protecting and restoring nature goes hand-in-hand with supporting the low carbon transition and Helping Britain Prosper. We've made strong progress this year, building an expert team and hiring our first Group Head of Nature. In 2024, we will be working with colleagues, customers and clients to manage our nature-related risks, capitalise on opportunities and embed nature into our decision making.

Introduction

I am pleased to report on the Committee's work in 2023 and I would like to thank members for their contributions. We will continue to review progress against our inclusion and diversity aspirations and rigorously support our sustainability plans in 2024. The strong foundations we have laid will continue to shape how we do business to create a more sustainable and inclusive future. This is a key part of how we will grow our business profitably and provide long-term, sustainable value for shareholders and other stakeholders.

Committee purpose and responsibilities

The purpose of the Committee is to support the Board in overseeing the Group's policies, performance and priorities as a responsible business. We will continue our oversight of the Group's work in 2024, as well as reacting to key emerging topics for our industry, such as Artificial Intelligence (AI) ethics. The Committee's terms of reference can be found on our corporate governance page ↗ on the Group's website.

Access to housing

We are one of the largest funders of UK house building and in the course of 2023 supported £2.7 billion of new funding to the social housing sector. In addition, this year, we launched a charity partnership with Crisis and together we are calling for one million new social homes to be built in the next decade. Our colleagues have actively engaged with our new partnership and we exceeded our fundraising goal of £1 million in 2023.

Environmental sustainability

The Committee provides oversight of the Group's environmental sustainability strategy, sharing responsibility with the Audit Committee and Board Risk Committee. In 2023, we recommended to the Board an updated environmental sustainability strategy and three new sector targets for road passenger transport, agriculture and commercial & residential real estate. We have also launched enhanced operational emissions goals, including a more ambitious direct carbon emissions reduction target alongside new water, waste and nature pledges. More detail on our sustainability progress can be found in the sustainability report ↗.

Consumer Duty

The Committee is the designated body that fulfils the Board's responsibility for Consumer Duty oversight. As the Board Consumer Duty champion, I worked alongside the Committee to provide oversight of the Group's Consumer Duty implementation plan to meet the first of the FCA's two Consumer Duty deadlines in July 2023 for new and open products. Consumer Duty sits at the heart of everything we do and we will continue our close work with the business as we approach the FCA's second deadline for closed products in July 2024.

Colleagues and culture

Our colleagues play a vital role in the delivery of the Group's strategic ambitions. The Committee, as the designated body for workforce engagement, supports the Group's wider engagement strategy, reporting at least annually to the Board on the key themes and issues we're hearing from our colleagues. This year we discussed the long-term journey we are on to transform our culture, with change readiness a key theme. Engaging our colleagues in our transformation is key to driving the Group's success. Please refer to **page 82** for more details on our colleague engagement activities.

Diversity, equity and inclusion

The Committee received regular updates on our diversity, equity and inclusion performance in 2023 and are pleased by the continued progress in increasing the representation of women and Black, Asian and Minority Ethnic colleagues in senior roles. The latest FTSE Women Leaders Review report confirmed women are represented in over 40 per cent of our senior roles, meeting the review's recommendation. In April 2023, we also announced a further goal to double the representation of senior colleagues with a disability by 2025. We have asked the executive to continue to progress towards our commitments as we work to build a more inclusive organisation.

Committee composition, skills, experience and operation

The Committee met on four occasions in 2023 and is composed of independent non-executive directors and is attended by the Group Chief Executive. It benefits from a range of perspectives, insight and experience, with representatives from Group Internal Audit and the Chief Operating Office attending meetings as appropriate. Details of Committee membership and meeting attendance can be found on **page 79**. Sarah Bentley joined the Responsible Business Committee of each of the Ring-Fenced Banks in January and I joined our Audit Committee to support the Committee's sustainability-related reporting responsibilities.

The findings of the internal annual review of effectiveness were considered by the Committee at its January 2024 meeting. Based on the evaluation, the feedback was that the performance of the Committee continues to be effective.

Remuneration Committee Chair's statement

Cathy Turner
Chair, Remuneration Committee

Throughout 2023 we have continued to support our people with the rising cost of living. We recognise the continued commitment of our colleagues and announced changes to our reward package providing greater certainty in what remains a fast-changing economic environment. This latest two-year pay deal means that between August 2022 and April 2025 we will have provided a minimum £5,000[1] pay award and £2,000[1] in cash support, worth a total of around 35 per cent of salary, for our colleagues at lower grades.

Remuneration content

Supporting our colleagues

- Agreed a multi-year pay proposal for 2024 and 2025 reflecting our continued desire to support colleagues during uncertain times
- Made a £500[1] payment in December 2023 to around 44,000 colleagues recognising immediate cost challenges
- Consolidated a significant portion of our Group Performance Share (annual bonus) into base salary for around 32,000 colleagues giving more certainty and delivering reward faster

Dear shareholder

On behalf of the Board, it is my pleasure to present the directors' remuneration report for the year ended 31 December 2023. I would also like to take this opportunity to thank Alan Dickinson for his commitment and contribution to the work of the Remuneration Committee (the Committee) during his time as Chair.

Supporting our customers and colleagues in 2023

Helping Britain Prosper has been central to all that the Group has done in 2023, focusing on delivering for customers, clients and shareholders. This has meant providing support through a tough and uncertain economic period which, whilst inflationary pressures have eased somewhat, remains an uncertain outlook for 2024 for many of our customers and colleagues. Our colleagues have worked tirelessly to support our customers, clients and communities as they continue to navigate this fast-changing environment.

We remained committed to our ambition to be the Best Bank for Customers; we proactively targeted support for customers facing economic uncertainty, directly contacting around 675,000 mortgage customers to encourage a review of their options, contacted 7.5 million customers since April 2022 to offer support and enhance financial resilience and, contacted more than 15 million customers on their savings options.

The Group delivered a robust financial performance in 2023 enabling a total ordinary dividend of 2.76 pence per share for 2023 and its intention to implement an ordinary share buyback of up to £2.0 billion in 2024, benefiting our 2.2 million shareholders, including most of our employees.

Recognising the continued commitment of our colleagues, the Committee has reflected on how our overall reward package meets both their needs and the needs of the Group and, as a result, we have made a number of changes over 2023. For our more senior colleagues, including our executive directors, we are introducing greater performance differentiation in variable reward, including the return to a performance-based Long Term Incentive Plan (LTIP) for our Group Executive Committee members which will deliver stronger alignment and accountability for the delivery of our purpose-driven strategy. For our junior colleagues we've kept things simple, giving more certainty and delivering reward faster, with a continuing focus on supporting those impacted most by increased day-to-day living costs.

Recognising the importance of certainty of earnings for many employees, in July 2023, we consolidated a significant portion of our annual bonus, the Group Performance Share (GPS) into base salary for around 32,000 colleagues. We also consolidated our 4 per cent Flex cash allowance into base salary for the majority of colleagues, further simplifying their reward package.

Over the course of 2023 we have worked closely with our recognised unions, Accord and Unite, to agree an industry-leading, multi-year pay deal for 2024 and 2025, reflecting our continued commitment to support colleagues and to help them plan for the future. To recognise the immediate cost of living challenges, we made a further £500[1] payment in December 2023 to around 44,000 colleagues who, including this payment, will receive average pay increases of between 9.1 per cent and 14.4 per cent cumulatively over the two years. The overall increase to our total pay costs over this two-year period will be lower at 8.2 per cent, as we continue to direct spend to our lowest paid colleagues. As part of our multi-year pay commitment, we will also raise our minimum salary across the Group to £25,000[1] by April 2025, all part of delivering on our purpose of Helping Britain Prosper.

Our two-year pay deal means that between August 2022 and April 2025, we will have provided a minimum £5,000[1] pay award and £2,000[1] in cash support, worth a total of around 35 per cent of salary, for our colleagues at lower grades.

1 Pro rated for reduced hours.

2023 variable reward outcomes

In 2023, we are seeing real evidence of strategic progress as we transform the business and have increased our confidence in delivering the 2024 and 2026 commitments and growth. As a result of our robust financial performance this year, the Committee has approved a GPS pool of £384 million. This is a lower absolute pool than in 2022 because of the consolidation referred to above. On a like-for-like basis, including the consolidation of variable pay, the 2023 pool would be higher than 2022. Ensuring colleagues share in the success of the Group is an important element of our remuneration approach.

The approved pool includes the impact of a provision for the potential impact of the recently announced FCA review into historical motor finance commission arrangements.

In 2021, Long Term Share Plan (LTSP) awards were granted to around 600 colleagues and the Committee has determined that these should vest in full. In making this decision, the Committee considered several elements to satisfy itself that the vesting is appropriate. It noted that, during the ‘pre-grant test’ this award was reduced by up to 40 per cent to reflect the Group’s performance in 2020, the share price at the time of award and the wider experience of our shareholders. Furthermore, the vesting is subject to a ‘pre-vest test’ consisting of three financial underpins and four key questions. Finally, there was careful consideration whether an adjustment for windfall gains would be appropriate and it was concluded that given the award was initially reduced by up to 40 per cent, granted at a share price of 39.3015 pence which is higher than the 31.2 pence over the pandemic period and consistent with our share price range over the performance period (33-55 pence), no windfall gain has arisen and therefore no further adjustment would be appropriate. More detail is provided on **page 115**.

Executive directors’ remuneration outcomes

Charlie Nunn, Group Chief Executive (GCE) continues to show strong leadership in all aspects of the business and consistently demonstrates the Group’s values. He has led the strategic and cultural transformation which has maintained momentum whilst the Group has also navigated a challenging external environment. Once again, Charlie has overseen the Group’s robust financial performance and achievement of broader Group balanced scorecard (BSC) targets whilst maintaining a strong regulatory and risk environment.

Likewise, William Chalmers, Chief Financial Officer (CFO), has played a critical role in the development, communication and execution of our new strategy, as well as embedding and delivering a strong commercial, capital and investment discipline across the Group.

The Committee determined that the GPS (annual bonus) awards for the GCE and CFO should be in line with the Group’s performance as assessed by the Group BSC of 80.3 per cent of maximum, with resultant awards of £1,277,372 and £920,658 respectively. This BSC outcome was inclusive of a downward adjustment in recognition of the external factors which benefited the ‘reduction in carbon emissions’ measure. Further details are outlined on **page 113**.

In 2021, William Chalmers was granted an LTSP award of 75 per cent of salary, a reduction of 40 per cent versus the typical award recognising the Group’s performance in 2020. In line with the outcome for other participants set out above, William’s award will vest in full. 2021 LTSP awards were granted prior to Charlie Nunn joining the Group and therefore he did not receive an award.

The 2023 Group BSC outcome also acts as part of a ‘pre-grant test’ for our 2024 LTIP awards. Given our robust 2023 performance, the Committee has determined to grant LTIP awards to the GCE and the CFO of 300 per cent of salary in line with the policy approved at the last AGM.

The vesting outcome of the LTIP award will be subject to the achievement of stretching performance targets (see **page 124**) measured over the period 2024 to 2026.

Strengthening the Group’s performance culture

The pivot towards a more demanding, high-performance culture is critical in delivering against the ambitious strategy we announced in 2022; returning to a performance-related LTIP directly aligns with that objective. We appreciated your overwhelming support having achieved 96 per cent support for the Remuneration Policy at the AGM in 2023.

Our principal reason for reintroducing an LTIP is to deliver stronger alignment between variable reward outcomes and the creation of shareholder value through the delivery of our strategy and the deepening of our relationships with our customers. Accordingly, the Committee has given careful consideration to the choice of LTIP performance measures ensuring that they are both stretching and transparent.

As set out in our Directors’ Remuneration Policy (DRP) approved at the 2023 AGM, 50 per cent of the LTIP outcome will be weighted to robust measures directly linked to our financial performance as we build to higher and more sustainable returns – Return on Tangible Equity, Capital Build and relative Total Shareholder Return (rTSR).

Recognising that the delivery of our refreshed strategy is critical to the creation of value for shareholders and our purpose of Helping Britain Prosper, a further 35 per cent of the LTIP will depend on performance against our four strategic growth pillars – Deepen and innovate in Consumer, Create a new mass affluent offering, Digitise and diversify our SME business and Target our Corporate and Institutional offering.

Our strategy is purpose driven and we continue to aspire towards a more sustainable and inclusive future through support for areas in which we can make a difference, such as our commitment to sustainable financing and the transition to net zero. 15 per cent of the LTIP outcome will therefore depend on the extent to which we deliver on our Sustainable Finance and Investment commitments and make progress towards our 2030 Net Zero Banking Alliance (NZBA) sector targets and Scottish Widows’ overall 2030 net zero ambition.

Full details of our new LTIP can be found on **page 124**.

For the last two years, our priority has been pay for our most junior colleagues and we did not award pay increases to our executive directors in 2023. For 2024, we will be increasing the fixed pay of our executive directors by four per cent consistent with the pay rise awarded to the majority of the wider colleague population as part of our unique two-year commitment on pay.

We will also be recommending a resolution to the AGM to ensure our governance remains aligned with the PRA’s updated Policy Statement on the setting of variable to fixed pay ratios for large UK institutions; the variable pay opportunity of our executive directors is determined by our Directors’ Remuneration Policy and will not be impacted.

Finally, together with my Committee members, I would like to thank our shareholders for their continued support and our colleagues for delivering another robust set of results in 2023.

On behalf of the Board

Cathy Turner

▶ **Cathy Turner,**
Chair, Remuneration Committee

Our remuneration package

Our remuneration package below summarises the different remuneration elements for executive directors.

Summary of our executive directors' remuneration package

Fixed

Base Salary

To support the recruitment and retention of executive directors of the calibre required to develop and deliver the Group's strategic priorities. Base salary reflects the role of the individual, taking account of market competitiveness, responsibilities and experience, and pay in the Group as a whole.

Fixed Share Award

To ensure that total fixed remuneration is commensurate with role and to provide a competitive reward package for executive directors with an appropriate balance of fixed and variable remuneration, in line with regulatory requirements.

Pension

To provide cost-effective and market-competitive retirement benefits, supporting executive directors in building long-term retirement savings. Executive directors' employer pension contributions are aligned with those available to the majority of the workforce.

Benefits

To provide flexible benefits as part of a competitive remuneration package.

Variable

Group Performance Share

(Short term variable)

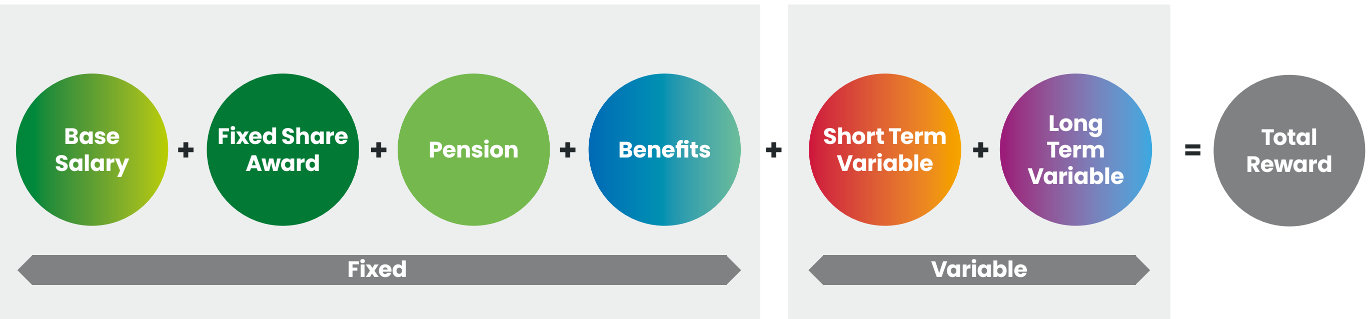
To incentivise and reward the achievement of the Group's annual financial and strategic targets whilst supporting the delivery of long-term superior and sustainable returns.

Long Term Incentive Plan

(Long term variable)

To incentivise performance linked to the Group's strategy and aligned to shareholder interests.

The components of our executive directors' remuneration



2023 Remuneration at a glance

Our at a glance summary sets out clearly and transparently the total remuneration paid to our executive directors for 2023.

Full assessments of the 2023 Group balanced scorecard and 2021 Long Term Share Plan can be found on **pages 113 to 115**.

Key financial highlights

£5.5bn
Statutory profit after tax, up 41 per cent vs 2022

15.8%
Return on tangible equity, above guidance

£3.8bn
Total capital return including an ordinary dividend of 2.76 pence per share, up 15 per cent vs 2022

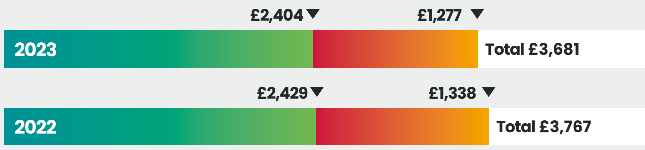
A full summary of the Group's key financial highlights can be found on **page 28**.

2023 Total remuneration (£000)

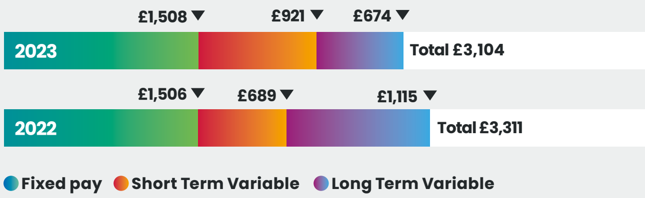
Group Chief Executive
The single total figure of remuneration for the Group Chief Executive during 2023 was £3.7 million. This is a decrease of 2 per cent compared to 2022 largely driven by the lower short term variable award in 2023 given the Group balanced scorecard performance of 80.3 per cent versus 2022 at 84.1 per cent.

Chief Financial Officer[1]
The single total figure of remuneration for the Chief Financial Officer during 2023 was £3.1 million. This is a decrease of 6 per cent compared to 2022 which was driven by a lower long-term incentive payment for 2023. The 2021 LTSP award was reduced by 40 per cent upfront at the time of grant, showing restraint based on 2020 Group performance.

Group Chief Executive Charlie Nunn



Chief Financial Officer William Chalmers



1 As part of the 2023 Directors' Remuneration Policy, the maximum GPS opportunity for the CFO was increased from 100 per cent to 140 per cent of salary.

2023 Group balanced scorecard performance

80.3%

Our Group balanced scorecard reflects a strong business performance. Further details can be found on **pages 113 to 114**.

2024 Long Term Incentive Plan (LTIP) award

The Remuneration Committee has considered the Group's performance in 2023 and other factors as part of the 'pre-grant test' as well as the individual contribution of the executive directors and will grant 2024 Long Term Incentive Plan awards of 300 per cent of salary to the Group Chief Executive and the Chief Financial Officer (see **page 124**).

2023 Group Performance Share (GPS) pool

£384m

The Committee determined a GPS pool for 2023 of £384 million, reflecting the Group's strong financial and overall business performance. While the pool is down from 2022, the 2023 outcome reflects the consolidation from GPS to fixed pay to provide greater certainty for our colleagues as described on **page 108**.

2021 Long Term Share Plan (LTSP) outcome

The award level for the 2021 LTSP was appropriately set at grant in March 2021. Vesting was subject to a 'pre-vest test' which has been assessed as 'met'. For full details on the 'pre-vest test' please see **page 115**.

2023 annual report on remuneration

Executive director single total figure of remuneration (audited)

£000	Charlie Nunn 2023	Charlie Nunn 2022	William Chalmers 2023	William Chalmers 2022	Totals 2023	Totals 2022
Base salary	**1,136**	1,133	**819**	817	**1,955**	1,950
Fixed Share Award[1]	**1,050**	1,050	**504**	504	**1,554**	1,554
Benefits	**48**	76	**62**	62	**110**	138
Pension	**170**	170	**123**	123	**293**	293
Total Fixed Pay	**2,404**	2,429	**1,508**	1,506	**3,912**	3,935
Group Performance Share[2]	**1,277**	1,338	**921**	689	**2,198**	2,027
Long-term incentive[3,4,5]	**–**	–	**674**	1,115	**674**	1,115
Total Variable Pay	**1,277**	1,338	**1,595**	1,804	**2,872**	3,142
Other remuneration[6]	**–**	–	**1**	1	**1**	1
Total Remuneration	**3,681**	3,767	**3,104**	3,311	**6,785**	7,078
Less: Performance adjustment	**–**	–	**–**	–	**–**	–
Total Remuneration less performance adjustment	**3,681**	3,767	**3,104**	3,311	**6,785**	7,078

1 The Fixed Share Award is part of fixed remuneration and is not subject to any performance conditions (see **page 129**).
2 Awards for Charlie Nunn and William Chalmers will be made in March 2024 in a combination of cash and shares.
3 The 2021 Long Term Share Plan (LTSP) vesting (see **page 115**) at 100 per cent was confirmed by the Remuneration Committee at its meeting on 15 February 2024. The total number of shares vesting will be 1,547,340 for William Chalmers. The average share price between 1 October 2023 and 31 December 2023 of 43.564 pence has been used to indicate the value. The shares were awarded in 2021 based on a share price of 39.3015 pence and as such 11 per cent of the reported value is attributable to share price appreciation.
4 The long-term incentive figures for 2022 have been adjusted to reflect the share price on the date of vesting (7 March 2023) of 51.764 pence instead of the average price of 44.04 pence reported in the 2022 report.
5 The 2021 LTSP awards were granted prior to Charlie Nunn joining as Group Chief Executive from 16 August 2021.
6 Other remuneration payments comprise income from all employee share plans, which arises through employer matching or discounting of employee purchases.

2023 pension and benefits (audited)

	Charlie Nunn 2023	William Chalmers 2023
Pension/Benefits		
Pension	**170,438**	**122,842**
Car or car allowance	**–**	**12,000**
Flexible benefits payments[1]	**45,450**	**48,507**
Private medical insurance	**1,130**	**1,130**
Transportation[2]	**1,733**	**294**
Subtotal for Total Benefits less pension	**48,313**	**61,931**

1 Includes flexible benefits allowance and holidays sold through the Group's flexible benefits plan.
2 Transportation benefits relate to the 2022/23 tax year.

Defined benefits pension arrangements (audited)

There are no executive directors with defined benefit pension entitlements.

Payments for loss of office (audited)

No payments for loss of office were made in 2023.

Payments within the reporting year to past Directors (audited)

As disclosed in the 2021 directors' remuneration report, Sir António Horta-Osório was provided with tax assistance worth £30,545 (inclusive of VAT) during 2023. There are no other payments made to past directors in 2023.

External appointments

No executive director served as a non-executive director on the board of another company in 2023.

Our 2023 balanced scorecard

Our balanced scorecard provides transparency on how our performance directly aligns with remuneration outcomes for 2023 GPS.

Strong performance across financial, customer and ESG measures has resulted in an overall outcome of 80.3 per cent as set out in the scorecard assessment table below. Our 2023 employee engagement index score is somewhat reflective of implementing some necessary but tough changes in the operation of flexible working. Further commentary on non-financial performance is described on **page 114**.

For 2023, ESG metrics aligned to our public commitments on climate change and promoting inclusion and diversity accounted for 17.5 per cent of the scorecard.

In determining the scorecard outcome for 2023, the Committee concluded that the mechanical outcome for reducing our operational carbon emissions benefited significantly from external factors including changes in government policy and a milder winter compared to the ten year average. Therefore, while the measure outcome is 93.3 per cent, a downward adjustment to 50 per cent has been applied as shown below reducing the measure outcome to 2.5 per cent.

The Committee is satisfied the adjusted outcome of 80.3 per cent fairly reflects Group performance and appropriately rewards the executive directors for their performance within the context of overall shareholder experience.

Our 2023 balanced scorecard

Block	Measure	Weighting	Performance range: Threshold 25%	Performance range: Maximum 100%	Actual	Outcome	Weighted outcome
Financial (55%)	Profit after tax	25%	£4,223m	£5,375m	£5,518m	100%	**25%**
Financial (55%)	Return on tangible equity	20%	11%	14%	15.8%	100%	**20%**
Financial (55%)	Operating costs (excl. remediation and in-year GPS expense)	10%	£8,815m	£8,553m	£8,674m	65.4%	**6.5%**
Non-financial (45%)	Group customer dashboard	20%	60%	90%	86%	90%	**18%**
Non-financial (45%)	Reducing our operational carbon emissions	5%	22%	31%	30.2%	50%[1]	**2.5%**
Non-financial (45%)	Sustainable financing and investment	5%	£11.9bn	£21.5bn	£19.4bn	83.6%	**4.2%**
Non-financial (45%)	Increasing our gender and ethnic representation in senior roles	3.75%	39.4%	42.0%	40.1%	45.6%	**1.7%**
		3.75%	10.2%	12.3%	11.3%	64.3%	**2.4%**
Non-financial (45%)	Culture and colleague engagement	7.5%	74%	77%	66%	0%	**0.0%**
	Total balanced scorecard outcome						**80.3%**

Risk

1 Mechanical outcome of 93.3 per cent driven by performance of 30.2 per cent. The Committee have reduced the outcome to 50 per cent of maximum to reflect significant contribution of external factors.

Charlie Nunn – Group Chief Executive

Maximum award	£1,590,750
Group balanced scorecard outcome	80.3%
Initial scorecard outcome	£1,277,372
Committee discretion	–
Annual GPS award/% of maximum	**80.3%**

- Embedded and enhanced the new operating model and leadership team which will be an important factor for success in 2024 and beyond
- Continued leadership throughout a challenging year for consumers, ensuring an appropriate Group-wide response to support customers impacted by interest rate rises
- Group financials remain positive, driven by robust income performance and effective risk management

William Chalmers – Chief Financial Officer

Maximum award[1]	£1,146,523
Group balanced scorecard outcome	80.3%
Initial scorecard outcome	£920,658
Committee discretion	–
Annual GPS award/% of maximum	**80.3%**

- Played a critical role in the strategic execution of the Group throughout 2023
- Strong financial management in particular the focus on costs
- Effective balance sheet management with a CET1 ratio of 13.7 per cent, ahead of regulatory requirements
- Demonstrates effective risk management across all aspects of his role including as Chief Financial Officer, executive director and chair of key executive committees

1 As part of the 2023 Directors' Remuneration Policy, the maximum GPS opportunity for the CFO was increased from 100 per cent to 140 per cent of salary.

Non-financial measures (45%) commentary

The scorecard that the Committee used in determining the annual Group Performance Share awards for the executive directors, along with the assessment of performance against the scorecard, is detailed on **page 113**. The table below outlines the Committee's assessment of the non-financial elements of the scorecard.

Non-financial measures commentary

Measure	Commentary
Group customer dashboard Our assessment of how effectively we are serving customers across all brands, products and services.	• The 2023 Group customer dashboard contains 195 targeted measures relating to customer satisfaction, including; customer complaints, NPS and peer benchmarks • In 2023, 86 per cent of Group customer dashboard measures achieved target (compared to 80 per cent in 2022), supported by ongoing strong performance relative to peers. Continued focus is required to maintain strong customer performance and to further improve scores in the context of our growth strategy • Score reflects the percentage of Group customer dashboard measures achieving target in 2023
Reducing operational carbon emissions Reported vs 2018/19 baseline. Includes Scope 1, Scope 2 and Scope 3 carbon emissions. Reporting year is October to September.	• A 30.2 per cent reduction has been achieved in 2023 from our 2018/19 baseline. Year on year reductions in gas and refrigerants have been delivered, although increases continue to be seen in commuting and business travel emissions as colleagues increase their presence in the office as part of the new approach to flexible working • A downward adjustment to 50 per cent of maximum has been applied to reflect that a significant proportion of the 2023 reduction has been driven by external factors including changes in government policy and a milder winter compared to the ten year average • Metric supports our external commitments to achieve net zero carbon operations by 2030 and maintain travel emissions below 50 per cent of 2018/2019 levels
Sustainable financing and investment[1]	• We have continued strong performance with our sustainable finance and investment metric across all contributing business lines – Commercial Banking, Consumer Lending Mortgages, Consumer Lending Transport and Scottish Widows Investments • Our robust performance continues to be driven by the positive uptake of electric vehicles and the acquisition of Tusker, along with our expanded product range for EPC A/B properties. Our performance was bolstered by Hybrid/EV Clean Growth Finance Initiative transactions and Debt Capital Markets activity, along with an increase in sustainable financing, for example across solar financing, battery storage and EV charging. Performance of our investments in climate-aware strategies has been driven by allocations to ESG Property and Group Environmental Solutions, as well as into the BlackRock Climate Transition Global Equity Fund
Increasing our gender and ethnic representation in senior roles	• We have increased the representation of women within our senior population by 0.7 percentage points since the end of 2022, moving from 39.4 per cent to 40.1 per cent • We have increased the representation of Black, Asian and Minority Ethnic colleagues by 1.1 percentage points since the end of 2022, moving from 10.2 per cent to 11.3 per cent
Culture and colleague engagement Our employee engagement index score.	• Our employee engagement index (EEI) encompasses pride and satisfaction working for Lloyds Banking Group, and also recommending Lloyds Banking Group as a great place to work • Our 2023 EEI score has been impacted by changes to flexible working arrangements, made to ensure flexible working is available to all colleagues in moments that matter. Not all colleagues welcomed the changes necessary to transform the Group. Despite this our in-year advocacy measure is moving in a positive direction

1 Includes sustainable finance for: Corporate and Institutional, Business and Commercial Banking clients, EPC A/B mortgage lending (full year estimate based on September 2023 actual position), financing for EV and plug-in hybrid electric vehicles and Scottish Widows discretionary investment in climate aware strategies.

2021 Long Term Share Plan

A Long Term Share Plan award was granted in relation to 2020 performance under the terms of the previous Remuneration Policy.

It is an important feature of the LTSP that performance is assessed and appropriately recognised upfront in the award size during the 'pre-grant test'.

A final 'pre-vest test' of financial underpins and consideration of four key questions takes place prior to vesting to ensure performance over the period has been sustainable. The Committee has completed the full assessment and there is nothing known now which, had it been known at the time of grant, would have changed the initial award levels.

The outcome of the 'pre-vest test' of both financial underpin performance and consideration of the four key questions is shown below.

Pre-vest test – underpins

Risk	Underpin	Actual		Assessment
Financial (100%)	**CET1 ratio** – Group CET1 ratio above the guided management target (13.5%) each year, including all regulatory buffers	2021	16.3%	Met
		2022	14.1%	
		2023	13.7%	
	RoTE – Group RoTE exceeds the average for UK peer banks[1] over the three years. Average RoTE for peer banks: 10.5% (2021), 11.0% (2022) and 12.3% (2023[2])	2021	13.8%	Met
		2022[4]	13.5%	
		2023	15.8%	
	Ordinary Dividend – Increased ordinary dividend payments over the plan period (subject to any further sector-wide regulatory constraints). Starting point in 2020 was a dividend of 0.57p	2021[3]	2.00p	Met
		2022[3]	2.40p	
		2023[3]	2.76p	
	Award (% maximum) vesting			100%

1 Peers: Barclays Group, HSBC Holdings, NatWest Group, Santander UK and Virgin Money UK.
2 2023 peer bank average based on latest company published consensus as of 1 February 2024 where full year results not available.
3 Dividend shown includes both interim and final for the respective performance year.
4 RoTE not restated for impact of IFRS 17.

Pre-vest test – additional consideration by the Committee

In conjunction with the assessment of performance against the financial underpins above, the Remuneration Committee considered the four questions below to satisfy itself that there is nothing known now which, had it been known at the time of grant, would have changed the initial award levels:

Q Has the bank lived up to its ambition to be the Best Bank for Customers?

Q Do the Group's financial results and capital position adequately reflect risk, conduct and any other non-financial considerations, including ESG?

Q Has the Group made meaningful progress in supporting the UK's transition to net zero?

Q Has the Group suffered a serious conduct event or has severe reputational damage arisen from the Group not living its values?

A The Group has maintained its strong capital position, strong reputation and support for customers and businesses since making awards in 2021. Risk management has remained a key element in shaping our business model, with a focus on safely progressing strategic ambitions whilst supporting customers impacted by the rising cost of living.

The Group continues to make meaningful progress against our environmental commitments including reducing our operational carbon emissions by around 30 per cent from the 2018/19 baseline, delivering over £40 billion[1] in sustainable financing and investment since 2022, becoming a founding member of the Net Zero Banking Alliance and publishing 10 sector-based 2030 emissions reduction targets for our most carbon-intensive sectors tracked through our system-led transition plans.

The Committee noted in the 2020 pre-grant test that there was still work to do towards achieving the Group's gender and diversity goals but felt comfortable that these were reflected in stretch targets in the 2021 balanced scorecard. In each performance year from 2021 to 2023 we have continued to improve our gender and ethnicity representation in senior roles. From year-end 2020 we have increased women in senior roles from 37 per cent to 40.1 per cent at year-end 2023 and from year-end 2020 we have increased Black, Asian and Minority Ethnic representation by 47 per cent from 7.7 per cent to 11.3 per cent at year-end 2023.

The Committee concluded that performance considered in the 'pre-grant test' has been sustainable and therefore no discretion has been applied. The 2021 LTSP awards will vest at 100 per cent, as the outcome represents a fair reflection of performance during the period.

1 Includes: Corporate and Institutional, Business and Commercial Banking clients, EPC A/B mortgage lending (cumulative to September 2023), financing for EV and plug-in hybrid electric vehicles and Scottish Widows discretionary investment in climate aware strategies.

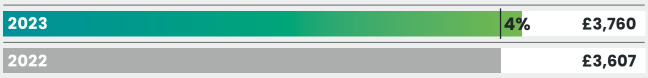
In determining the final vesting outcome of the 2021 Long Term Share Plan, the Committee carefully considered alignment with shareholder experience and whether adjustments were required for windfall gains.

Awards were granted in March 2021 at 39.3015 pence. The share price used to calculate indicative value is 43.564 pence (**page 112**). While 10.8 per cent higher, the Committee considers it reasonably represents performance over the period. 2021 LTSP awards, including the award for the CFO, were reduced by up to 40 per cent upfront at the time of grant, showing restraint based on 2020 Group performance. The GCE did not receive a 2021 LTSP award as he was not in role at the time of grant. The Committee concluded there was no windfall gain over the period and as such no additional adjustment was required.

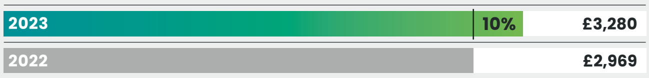
Relative importance of spend on pay

The graphs below illustrate the total remuneration of all Group employees compared with returns of capital to shareholders in the form of dividends and share buyback.

Dividend and share buyback[1]
£m



Salaries and performance-based compensation[2]
£m



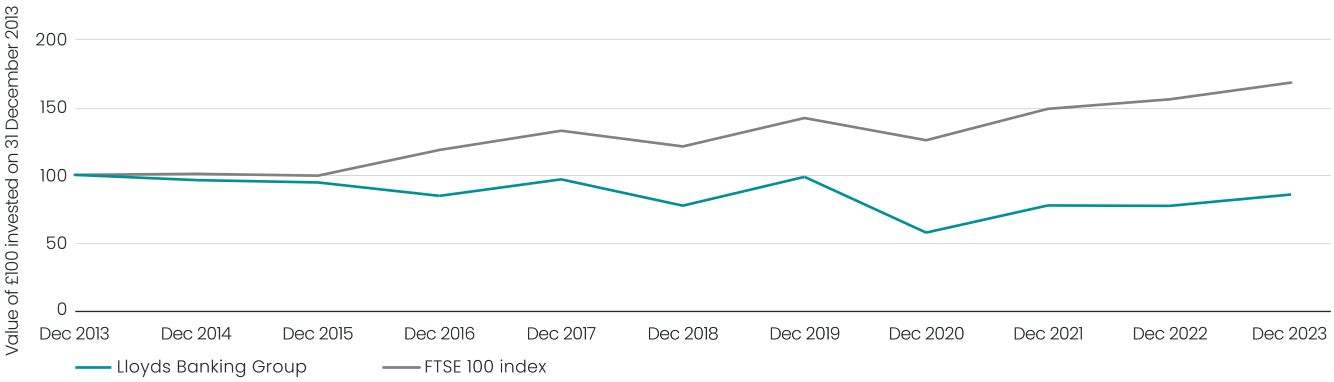
1 2023: ordinary dividend in respect of the financial year ended 31 December 2023, partly paid in 2023 and partly to be paid in 2024 and intended share buyback. 2022: ordinary dividend in respect of the financial year ended 31 December 2022, partly paid in 2022 and partly paid in 2023 and share buyback.

2 Performance-based compensation includes expense for the following plans: Group Performance Share (2023: £410 million, 2022: £433 million), Long Term Share Plan and Executive Group Ownership Share (2023: £30 million, 2022: £25 million), Executive Share Awards (2023: £0.1 million, 2022: £0.2 million). For the 2023 performance year, the value of awards was £384 million for Group Performance Share and £25 million for Long Term Incentive Plan.

Comparison of returns to shareholders and Group Chief Executive total remuneration

The required chart below shows the historical total shareholder return (TSR) of Lloyds Banking Group plc compared with the FTSE 100. The FTSE 100 index has been chosen as it is a widely recognised equity index of which Lloyds Banking Group plc has been a constituent throughout this period.

Historical TSR Performance
Growth in the value of a hypothetical £100 holding since 31 December 2013 (to 31 December 2023)



	GCE	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
GCE single figure of remuneration £000	Sir António Horta-Osório	11,540	8,704	5,791	6,434	6,544	4,424	3,604	2,444	n/a	**n/a**
	Charlie Nunn[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,523	3,767	**3,681**
	William Chalmers[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	819	n/a	**n/a**
Annual bonus/ GPS payout (% of maximum opportunity)	Sir António Horta-Osório[3]	54%	57%	77%	77%	67.60%	n/a	n/a	57.80%	n/a	**n/a**
	Charlie Nunn	n/a	n/a	n/a	n/a	n/a	n/a	n/a	57.80%	84.1%	**80.3%**
	William Chalmers[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	78.20%	n/a	**n/a**
Long-term incentive vesting (% of maximum opportunity)	Sir António Horta-Osório	97%	94.18%	55%	66.30%	68.70%	49.70%	33.75%	41.80%	n/a	**n/a**
	Charlie Nunn	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
	William Chalmers[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
TSR component vesting (% of LTIP maximum)	Sir António Horta-Osório	30%	30%	0%	0%	0%	0%	0%	0%	n/a	**n/a**
	Charlie Nunn	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
	William Chalmers[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

1 Charlie Nunn succeeded Sir António Horta-Osório as Group Chief Executive with effect from 16 August 2021 and the single figure total remuneration for 2021 includes a one-off buy-out of £4.231 million.
2 William Chalmers was the Interim Group Chief Executive from 1 May 2021 until 15 August 2021, remuneration in the table above is for this period.
3 Sir António Horta-Osório independently requested that he be withdrawn from consideration for a Group Performance Share award in 2019 and 2020. There were no GPS awards for 2020 performance.

Single total figure of remuneration for Chair and non-executive directors (audited)

	Fees (£000)		Benefits (£000)[3]		Total (£000)	
	2023	2022	**2023**	2022	**2023**	2022
Chair and non-executive directors						
Sir Robin Budenberg	**629**	624	**2**	1	**631**	625
Alan Dickinson	**402**	445	**3**	–	**405**	445
Sarah Legg	**228**	224	**5**	5	**233**	229
Lord Lupton	**286**	282	**6**	–	**292**	282
Amanda Mackenzie	**179**	175	**1**	–	**180**	175
Harmeen Mehta	**102**	98	**1**	–	**103**	98
Cathy Turner[1]	**157**	19	**–**	–	**157**	19
Scott Wheway[2]	**458**	189	**25**	–	**483**	189
Catherine Woods	**246**	242	**23**	10	**269**	252

1 Cathy Turner was appointed on 1 November 2022.
2 Scott Wheway was appointed on 1 August 2022.
3 Benefits for the non-executive directors relates to reimbursement for expenses incurred in the course of duties. The Chair's benefits also include private medical insurance, including a one-off settlement of tax relating to the restatement in the 2022 annual report. Non-executive directors do not receive variable pay.

Directors' share interests and share awards Directors' interests (audited)

	Number of shares			Number of options		Total shareholding[1]	Value
	Owned outright	Unvested subject to continued employment	Unvested subject to performance	Unvested subject to continued employment	Vested unexercised	Totals at 31 December 2023[2]	Expected value at 31 December 2023 (£000s)[3]
Executive directors							
Charlie Nunn	4,855,377	847,433	6,872,260[4]	5,337,899	–	17,912,969	8,546
William Chalmers	7,433,791	2,270,483	6,500,480[4,5]	83,665	–	16,288,419	7,771
Non-executive directors							
Sir Robin Budenberg	1,500,000	–	–	–	–	1,500,000	n/a
Alan Dickinson	200,000	–	–	–	–	200,000	n/a
Sarah Legg	200,000	–	–	–	–	200,000	n/a
Lord Lupton	2,250,000	–	–	–	–	2,250,000	n/a
Amanda Mackenzie	63,567	–	–	–	–	63,567	n/a
Harmeen Mehta	20,000	–	–	–	–	20,000	n/a
Cathy Turner	424,113	–	–	–	–	424,113	n/a
Scott Wheway	168,356	–	–	–	–	168,356	n/a
Catherine Woods	113,496	–	–	–	–	113,496	n/a

1 Includes holdings of any Person Closely Associated.
2 There has been no change in shareholdings from 31 December 2023 to 22 February 2024.
3 Expected values are based on the Lloyds Banking Group closing share price of 47.708 pence on 29 December 2023.
4 For awards granted under the 2022 and 2023 Long Term Share Plan where the three-year underpin period has not completed, 100 per cent has been applied to calculate the expected value of the LTSP award in line with the applicable Remuneration Policy.
5 For awards granted under the 2021 Long Term Share Plans, as the three-year underpin period has completed, the actual outcome of 100 per cent (see **page 115**) has been applied to the unvested shares to calculate the expected value.
6 Directors are not permitted to enter into any hedging arrangements in relation to share awards. No director uses shareholding as collateral.

Outstanding share plan interests (audited)

	At 1 January 2023	Granted/ awarded	Dividends awarded	Vested/ released/ exercised	Lapsed	At 31 December 2023	Exercise price	Exercise periods From	To	Notes
Charlie Nunn										
LTSP 2022 – 2024	3,588,364					3,588,364				2
LTSP 2023 – 2025		3,283,896				3,283,896				2,3
Deferred GPS awarded in 2022 (2021 GPS)	222,415			148,276		74,139				4
Deferred GPS awarded in 2023 (2022 GPS)		1,288,821		515,527		773,294				5,6
Share Buy-Out	1,247,548			1,247,548		–		15/03/2023	14/03/2028	1
	1,368,990					1,368,990		12/03/2024	11/03/2029	1
	1,368,990					1,368,990		11/03/2025	10/03/2030	1
	1,369,012					1,369,012		11/03/2026	10/03/2031	1
	891,217					891,217		11/03/2027	10/03/2032	1
	339,690					339,690		11/03/2028	10/03/2033	1
William Chalmers										
GOS 2020 – 2022	4,927,191			430,636	2,774,011	1,722,544				2
LTSP 2021 – 2023	1,547,340					1,547,340				2
LTSP 2022 – 2024	2,586,292					2,586,292				2
LTSP 2023 – 2025		2,366,848				2,366,848				2,3
Deferred GPS awarded in 2022 (2021 GPS)	449,505			299,670		149,835				4
Deferred GPS awarded in 2023 (2022 GPS)		663,507		265,403		398,104				5,6
2020 Sharesave	46,317					46,317	24.25p	01/01/2024	30/06/2024	
2021 Sharesave	17,177					17,177	39.40p	01/01/2025	30/06/2025	
2023 Sharesave		20,171				20,171	38.55p	01/01/2027	30/06/2027	

1 When Charlie Nunn joined the Group on 16 August 2021 as Group Chief Executive and executive director he was granted deferred share awards and deferred cash to replace unvested awards from his previous employer, HSBC. Options vested on the 14 March 2023 and were exercised on 21 March 2023. Charlie Nunn retained all the shares apart from 586,558 shares which were sold at 48.16 pence to meet income tax and National Insurance contributions withholding obligations. The remaining 660,990 shares are subject to holding periods that mirror the shares replaced from HSBC of no hold, six months and 12 months holds.
2 All GOS and LTSP awards have a three-year performance period ending 31 December. Awards were made in the form of conditional rights to free shares.
3 LTSP awards (in the form of conditional share awards) in 2023 were made over shares with a value of 150 per cent of salary for Charlie Nunn (3,283,896 shares with a value of £1,704,375) and a value of 150 per cent for William Chalmers (2,366,848 shares with a value of £1,228,418). Vesting is subject to underpin thresholds applicable for the first three years from grant as detailed on **page 121** of the 2022 Directors' remuneration report. Each year the Remuneration Committee will monitor the Group's progress in relation to the underpins. The share price used to calculate the value is the average price over the five days prior to grant (27 February 2023 to 3 March 2023), which was 51.901 pence.
4 The second tranche of the 2021 GPS deferred award vested on 7 March 2023. The closing market price of the Group's ordinary shares on that date was 51.360 pence. The award was settled in shares net of tax, with the resulting shares subject to a one-year holding period.
5 Half of the 2022 GPS is deferred into shares (in the form of conditional rights to free shares). The value of the shares awarded in respect of GPS granted in March 2023 was £668,911 (1,288,821 shares) for Charlie Nunn; and £344,367 (663,507 shares) for William Chalmers. As the awards represent deferral of awarded GPS they are not subject to further performance conditions. The share price used to calculate the value is the average price over the five days prior to grant (27 February 2023 to 3 March 2023), which was 51.901 pence.
6 The first tranche of the 2022 GPS award vested on 7 March 2023. The closing market price of the Group's ordinary shares on that date was 51.360 pence. The award was settled in shares net of tax, with the resulting shares subject to a one-year holding period.

Outstanding cash awards (audited)

	At 1 January 2023 (£)	Granted/ awarded (£)	Released (£)	At 31 December 2023 (£)	Notes
Charlie Nunn					
Deferred GPS cash awarded in 2022 (2021 GPS)	104,594		69,729	34,865	1
Deferred GPS cash awarded in 2023 (2022 GPS)		401,346		401,346	1
William Chalmers					
Deferred GPS cash awarded in 2022 (2021 GPS)	211,388		140,925	70,463	1
Deferred GPS cash awarded in 2023 (2022 GPS)		206,620		206,620	1

1 Half of the deferred portion of the 2021 and 2022 GPS awards are delivered in cash.

Shareholding requirement

Executives are expected to build and maintain a shareholding in the Group in direct proportion to their salary in order to align their interests to those of shareholders.

The minimum shareholding requirements applicable to executive directors at 31 December 2023 are 350 per cent of salary for the GCE and 250 per cent of salary for the CFO.

Under the Policy applicable at 31 December 2023, the GCE has until 15 August 2026 to meet the requirement of 350 per cent of salary and the CFO has until 2 June 2024 to meet the requirement of 250 per cent of salary (in both cases five years from appointment). The CFO has met the requirement of 250 per cent of salary and currently holds 467 per cent of salary at 31 December 2023.

In recognition of the increased variable opportunity offered by the implementation of the LTIP and to further strengthen alignment with shareholders, from 1 January 2024 the shareholding requirement applicable to the GCE will increase from 350 per cent to 400 per cent of salary and from 250 per cent to 300 per cent for the CFO.

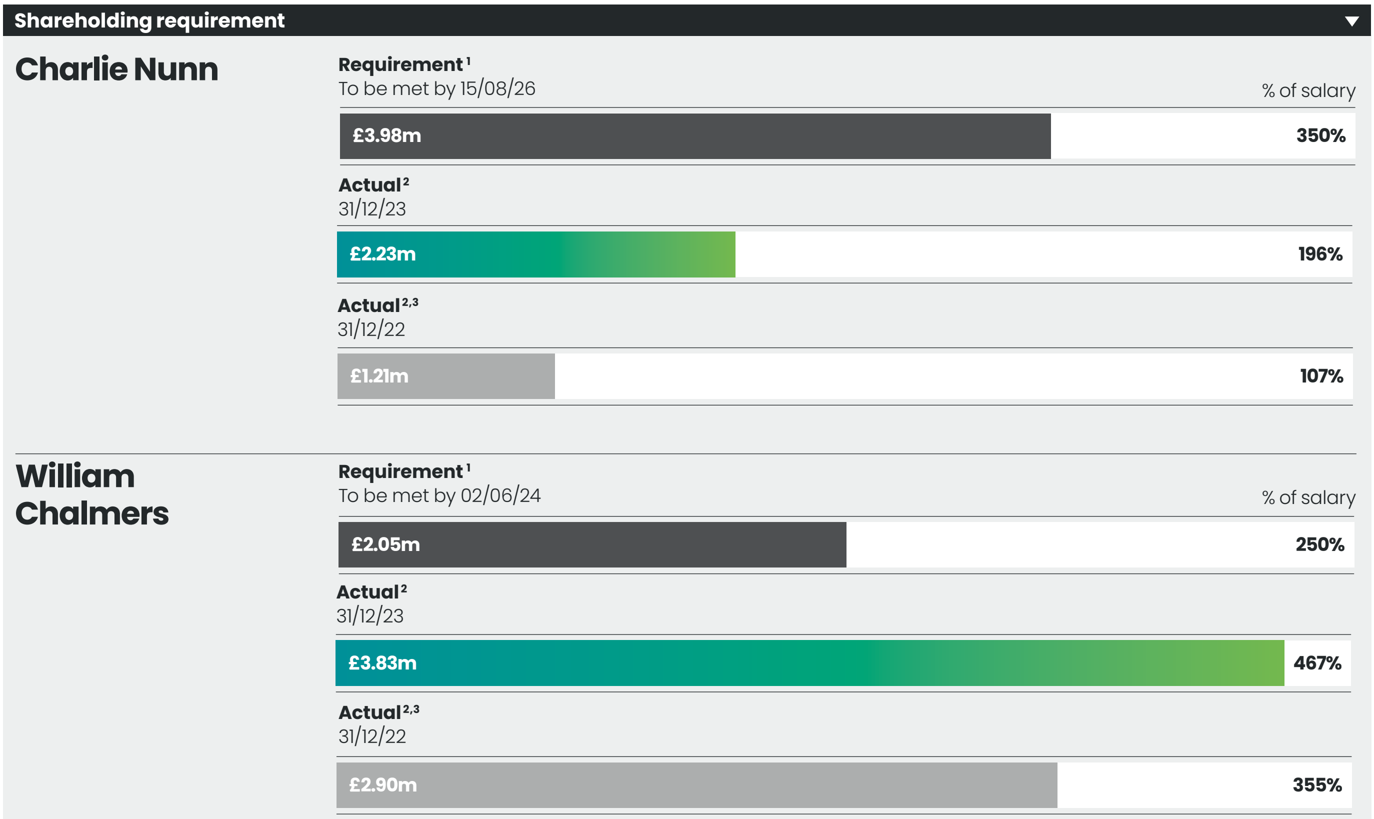
The time frame over which this requirement must be met remains five years from the date of appointment.

In the event that exceptional individual circumstances exist resulting in an executive not being able to comply with the Policy, the Remuneration Committee will consider whether an exception should apply.

Post-employment shareholding requirement

Executive directors are contractually bound to a post-employment shareholding requirement of two years at a level equal to the lower of the shareholding requirements immediately prior to departure or the actual shareholding on departure. The post-employment requirement will be maintained through self-certification, with the Committee keeping this approach under review.

None of those who were directors at the end of the year had any other interest in the capital of Lloyds Banking Group plc or its subsidiaries.



1 As reported in the 2022 Annual Report, following approval at the 2023 AGM, from 1 January 2024 the shareholding requirement applicable to the GCE will increase to 400 per cent of salary and to 300 per cent for the other executive directors.

2 Calculated using the average share price for the period 1 January 2023 to 31 December 2023 (45.864 pence). Includes ordinary shares, net of tax where appropriate, acquired through the vesting of the deferred Group Performance Share plan, Fixed Share Awards as the shares have no performance conditions, awards in the form of options which have vested but have not been exercised, unvested performance tested Executive Group Ownership Share awards and Long Term Share Plan awards, shares held in the Share Incentive Plan (SIP) Trust, i.e. Free, Partnership, Matching and Dividend shares which are no longer subject to forfeiture, as defined in the SIP Rules. Shares held by Person Closely Associated, as defined by the Companies Act, but broadly meaning spouse or partner and children, are also included.

3 2022 shareholding has been recalculated using the average share price for the period 1 January 2023 to 31 December 2023 (45.864 pence). Salary as at 31 December 2022 has been used to calculate the percentage.

Chair and non-executive director fees

Following a detailed review of peer benchmarks, there is a 4 per cent increase to the annual fee for the Chair (£654,500) aligned to the majority of the wider workforce. The basic board fee, Chair and membership fees for the Responsible Business Committee and IT Forum will also increase by 4 per cent. The Nomination and Governance Committee fee will increase by 1.7 per cent. There are no increases to other non-executive directors' fees for 2024.

	2024	2023
Basic non-executive director fee	**89,500**	86,100
Deputy Chair	**107,000**	107,000
Senior Independent Director	**64,200**	64,200
Audit Committee Chair	**75,000**	75,000
Remuneration Committee Chair	**75,000**	75,000
Risk Committee Chair	**75,000**	75,000
Responsible Business Committee Chair	**44,500**	42,800
IT Forum Chair	**44,500**	42,800
Audit Committee member	**34,300**	34,300
Remuneration Committee member	**34,300**	34,300
Risk Committee member	**34,300**	34,300
Responsible Business Committee member	**16,750**	16,100
IT Forum member	**16,750**	16,100
Nomination and Governance Committee member	**16,375**	16,100

Non-executive directors may receive more than one of the above fees.

Percentage change in remuneration levels

The table below sets out the change in the directors' base salary/fees, taxable benefits and annual bonus compared with the change in our UK-based colleagues' pay. Lloyds Banking Group plc is not an employing entity, and therefore the disclosure below is made on a voluntary basis to compare any change with all employees of the wider Group based in the UK. This population has been chosen as the majority of our workforce are based in the UK and is considered to be the most appropriate group of employees. The same population is used for the purposes of the Chief Executive Officer pay ratio disclosure on **page 122** of the report.

	% change in base salary/fees				**% change in GPS**				**% change in benefits**			
	2019 to 2020	2020 to 2021	2021 to 2022	**2022 to 2023**	2019 to 2020	2020 to 2021[4]	2021 to 2022	**2022 to 2023**	2019 to 2020	2020 to 2021	2021 to 2022	**2022 to 2023**
All employees[1]	4	4	6	**13**[9]	(100)	n/a	12	**(14)**[9]	(32)	1	5	**(43)**[9]
Executive directors												
Charlie Nunn[2]	n/a	n/a	1	**–**	n/a	n/a	47	**(5)**	n/a	n/a	4	**(37)**
William Chalmers[3]	2	12	(9)	**–**	(100)	n/a	(2)	**34**	(1)	2	35	**–**
Non-executive directors[5,6]												
Sir Robin Budenberg	n/a	243	1	**1**	n/a	n/a	n/a	**n/a**	n/a	n/a	–	**100**
Alan Dickinson	45	14	12	**(10)**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Sarah Legg	131	28	6	**2**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Lord Lupton	–	(8)	(2)	**1**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Amanda Mackenzie	6	(1)	7	**2**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Harmeen Mehta	n/a	n/a	2	**4**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Cathy Turner[7]	n/a	n/a	n/a	**38**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Scott Wheway[8]	n/a	n/a	n/a	**1**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Catherine Woods	n/a	43	4	**2**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**

1 Lloyds Banking Group is not a contracting entity but considers all UK-based employees to be appropriate for purposes of an 'All employees' calculation.
2 Charlie Nunn became the Group Chief Executive in August 2021. Figures for 2021 have been annualised based on the single total figure table.
3 William Chalmers was the Interim Group Chief Executive from May to August 2021 and received a deputisation payment for this period.
4 No Group Performance Share (bonus) was paid for 2020 performance.
5 In some instances, non-executive directors may change membership or become the Chair of a Committee during the year, resulting in large year-on-year percentage changes in fees.
6 Some non-executive directors have received other benefits that relate to reimbursement for expenses incurred in the course of duties. Reimbursements of these expenses do not provide an accurate comparison to benefits received by colleagues and are therefore not included.
7 Cathy Turner was appointed on 1 November 2022. Figures for 2022 have been annualised based on the single total figure table. Cathy was appointed Chair of the Remuneration Committee and Senior Independent Director in September 2023.
8 Scott Wheway was appointed on 1 August 2022. Figures for 2022 have been annualised based on the single total figure table.
9 2022 to 2023 variance was impacted by the consolidation of variable pay and Flex cash allowance into base salary as described on **page 108.**