

Incorporated	United Kingdom	Tax secrecy	
Sector	Banks	ESG sensitive?	x
Sub-sector	Banks	Web	www.lloydsbankinggroup.com
Company secretary	Kate Cheetham	Tel	+44 (0) 20 7626 1500

COVID 19 Adjustments

The analysis and assessments made in this report are representative of disclosures made by the Company prior to the COVID-19 outbreak, **unless stated otherwise**.

Governance

Agenda Items

RES 12	Declare Dividends: Dividend represents relatively small percentage of Free Cash Flow. Reduced dividend.
RES 16	Political Donations Authority: £100,000 authority.
RES 23	Share Buybacks: 100% authority.
RES 24	Virtual Annual Meeting: Amendment to governing documents. Permit Hybrid Meetings.

Remuneration

Agenda Items

RES 11	Report: Benefit concerns. High level of LTIP awards during the year. Minerva Executive Remuneration Assessment grade 'D'. On-grant performance conditions. Poor annual bonus target disclosures. Poor disclosure of LTIP performance conditions. Potential excessive levels of incentive pay.
RES 15	Bonus Deferral: High individual participation limit. Minerva Executive Remuneration Assessment grade 'D'. Time between award date and release does not reflect investor expectations.

Sustainability

Agenda Items

No agenda items.

MINERVA CONTACTS

Governance: Christine Holm

Remuneration: Cameron Elsdon

Sustainability: Terry Chai

If you have any inquiries, please contact stewardship.support@minerva.info

1 COMPANY OVERVIEW

1.1 Principal Activities

The Group provides a wide range of banking and financial services.

1.2 Strategy

The Company' strategic priorities are:

- Leading customer experience;
- Digitising the group;
- Maximising group capabilities; and
- Transforming ways of working.

1.3 Advisors

Advisor	Name	Advisor	Name
AUDITOR	Deloitte LLP	CSR ASSURER	Deloitte LLP
INTERNAL AUDITOR	Internal Advice	RECRUITMENT ADVISOR	Russell Reynolds Associates Heidrick & Struggles
REMUNERATION ADVISOR	Kepler Associates Ltd		

1.4 Key Financials

	YEAR ENDED 31/12/2020	YEAR ENDED 31/12/2019
	GBP	GBP
Market Cap	25,813.8m	44,259.2m
Total OP Income	29,167.0m	42,356.0m
Profit Before Tax	1,226.0m	4,393.0m
Net Profit	1,387.0m	3,006.0m
Dividends Paid	403.8m	784.6m
ORDINARY GBP 0.10	GBP	GBP
Basic Eps	0.012	0.035
Ord Dividend Per Share	0.0057	0.0112

The financial statements have been prepared in accordance with IFRS (EU).

Unqualified audit opinion.

The directors confirm the going concern basis has been adopted when preparing the accounts.

The Company has adopted a period of 36 months when assessing the viability statement.

Dividend Policy

'Following a request made by the PRA to large UK banks in March 2020, the Group suspended the payment of dividends on ordinary shares for the remainder of the year and cancelled the payment of the final dividend for 2019. These actions were undertaken as a precautionary measure to preserve capital as the spread of the coronavirus pandemic led to a UK-wide lockdown, with the potential to create a significant and prolonged downturn.

In December 2020, the PRA announced that dividend payments could recommence, provided that this was subject to a prudent framework for the setting of such distributions. The framework established by the PRA in respect of any distributions for 2020 requires banks to take into account the ongoing economic uncertainties and the need for banks to continue to support the re-build of the UK economy through lending, particularly in the event of a more severe and prolonged downturn. As a result the PRA established a cap on distributions for yearend 2020, based on the higher of i) 20 basis points of total risk-weighted assets at 31 December 2020, or ii) 25% of cumulative profits for 2019 and 2020 after deducting prior shareholder distributions covering the two year period.

Given the Group's strong capital position at year end and the regulator's removal of the prohibition on capital distributions, the Board has recommended a final ordinary dividend of 0.57 pence per share, the maximum allowed under the PRA's framework.

In addition the PRA has noted its intent to provide a further update on distributions ahead of the 2021 half-year results for the large UK banks. It is expected that the PRA will take account of the outcome of the first stage of the BoE 2021 solvency stress test exercise in informing its approach to half-year distributions. Ahead of the update banks may accrue for (on an appropriately prudent basis) but not pay out any dividends. The Group will update the market on any potential interim dividend with the half year results, following receipt of this update from the regulator.

The Board remains committed to future capital returns. In 2021, subject to regulatory guidance, the Board intends to grow the dividend from 2020, in line with its progressive and sustainable ordinary dividend policy, and to accrue dividends. As normal, the Board will give due consideration at year end to the size of the final dividend payment based on circumstances at the time.'

KPI?	Metric	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
	Market Cap (£m)	25,813.8	44,259.2	36,898.3	48,984.8	44,608.6
	Share Price at Year-End	£0.36	£0.63	£0.52	£0.68	£0.63

1.5 Governing Documents & Shareholder Meetings

Standard UK shareholder rights apply. No significant concerns identified.

1.6 Dissent

Shareholders should also be aware that, in line with the revised recommendations of the UK Governance Code, in circumstances where a company receives more 20% or more dissent on a resolution, the Company should provide an update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting and a final summary provided in the annual report on what impact the feedback has had on board decisions.

The Company received votes against of 35% on the resolution to approve the remuneration policy, and votes against of 36% on the resolution to approve the long-term share plan 2020.

The Board included the following response to the against votes in its 2020 Annual Report:

Company Response: 'We also gained shareholder approval for the 2020 Directors' Remuneration Policy at the AGM in May last year. We do however recognise that a substantial proportion of our shareholders voted against the Policy and against the Long Term Share Plan and are sensitive to concerns on remuneration in the sector. Following further engagement with our shareholders, we have therefore committed to a series of changes in how the new Policy is to be implemented and disclosed in 2021.'

1.7 Political Donations & Expenditure

Policy

'In accordance with Group policy, the Company does not make any political donations or incur political expenditure in the UK.'

Disclosed Donations & Expenditure

The Company incurred no political expenditure or made any political donations during the year.

2 CAPITAL

2.1 Issued Share Capital One Vote Per Share

Share Type:	Ordinary GBP 0.10	ISIN: GB0008706128	Primary Listing: London Stock Exchange
Share Type:	ADR - Ordinary Shares	ISIN: US5394391099	Primary Listing: New York Stock Exchange
Share Type:	Deferred GBP 0.15	ISIN: -	Primary Listing: -

NOTE: Capital structure is as at end of the financial year.

Deviations from One Share One Vote Principle

Share Type:	Ordinary GBP 0.10 L/V	ISIN: -	Primary Listing: -
Notes:	The limited voting ordinary shares are held by the Lloyds TSB Foundations. These shares carry no voting rights except on resolutions concerning acquisitions or disposals.		
Voting Structure:	0 votes per share on a poll		
Share Type:	Preference GBP 0.25	ISIN: -	Primary Listing: -
Voting Structure:	0 votes per share on a poll		
Share Type:	Preferred Stock USD 0.25	ISIN: -	Primary Listing: -
Voting Structure:	0 votes per share on a poll		

NOTE: Capital structure is as at end of the financial year.

2.2 Share Capital Development

	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
Year-End Issued Share Capital (Millions)	70,839.2	70,052.6	71,163.6	71,972.9	71,373.7
Nominal Value	£0.10	£0.10	£0.10	£0.10	£0.10

2.3 Authorisations to Increase Capital

Type	Source	Size	Size – Disapply Pre-Emption Rights	Expires	Renewal?
Authority to Issue Shares	AGM 2020, RES 22	33.33% + 33.33% for rights issue	-	This AGM	RES 18
Authority to Issue Shares Without Pre-Emption Rights, For Cash	AGM 2020, RES 24 & 25	-	5.0%, plus a further 5.0% for specified capital investments	This AGM	RES 19 & 20

2.4 Capital Strength & Distributions

'The Group has a capital management framework that includes the setting of capital risk appetite and capital planning and stress testing activities. Close monitoring of capital and leverage ratios is undertaken to ensure the Group meets regulatory requirements and risk appetite levels and deploys its capital resources efficiently.'

2.5 Share Buyback Authorities

Type	Source	Size	Expires
Share Buybacks	AGM 2020; RES 27	10%	This AGM

Share Buyback Programme

No formal buyback programme announced.

Buyback History

KPI?	Metric	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
	Buybacks Spend (£m)	0	1,100	1,005	0	0
	Average Purchase Price	N/A	£0.58	£0.63	N/A	N/A
	Year-end Share Price (£)	0.36	0.63	0.52	0.68	0.63
	Shares in Issue (m)	70,839.2	70,052.6	71,163.6	71,972.9	71,373.7

The Board agreed to suspend buybacks in 2020 on ordinary shares until the end of 2020 on the request of the PRA.

At the date of this report, the share price is £0.46.

2.6 Disclosed Shareholdings

Name	% Holdings
BlackRock Inc	7.70
Harris Associates LP	5.00

3 THE BOARD

3.1 Composition & Structure

	Structure	Board of Directors
Company	Unitary	9

Director Summary

Name	Title	Age	First Appointed	C'tee **	Issues
Chalmers, William	Chief Financial Officer and Interim Chief Executive	52	Aug 2019		

Name	Title	Age	First Appointed	C'tee **	Ind on Appt*	Issues
Budenberg, Robin	Chairman	62	Oct 2020	N, R	✓	

Name	Title	Age	First Appointed	C'tee **	Ind (Co)*	Ind*	Issues
Dickinson, Alan	Deputy Chairman & Lead Independent Director	70	Sep 2014	A, N, R	✓	✓	
Legg, Sarah	Non-executive Director	53	Dec 2019	A	✓	✓	
Lupton, James	Non-executive Director	65	Jun 2017		✓	✓	
Mackenzie, Amanda	Non-executive Director	57	Oct 2018	R	✓	✓	
Prettejohn, Nick	Non-executive Director	60	Jun 2014	A, N	✓	✓	
Sinclair, Stuart	Non-executive Director	67	Jan 2016	N, R	✓	✓	
Woods, Catherine	Non-executive Director	58	Mar 2020	A, R	✓	✓	

NOTE: Data relates to those directors serving on the Board following the meeting and to the latest financial year.

*Ind (Co) = Company considers independent; Ind = No independence issues; Ind on Appt = Independent on appointment. **R = Remuneration Committee; A = Audit Committee; N = Nomination Committee; Bold = Chair. Name in Bold = Retiring and standing for (re)election.

Board of Directors Appointments

Date	Name	Title	Reason
01 Mar 2020	Catherine Woods	Non-executive Director	Normal succession
01 Oct 2020	Robin Budenberg	Non-executive Director	Normal succession
16 Aug 2021	Charlie Nunn	Chief Executive	Normal succession

Board of Directors Departures

Date	Name	Title	Reason
20 May 2020	Anita Frew	Non-executive Deputy Chairman	Normal retirement
18 Sep 2020	Juan Colombás Calafat	Chief Operating Officer	Normal retirement
30 Sep 2020	Simon Henry	Non-executive Director	Normal retirement
31 Dec 2020	Norman Blackwell	Non-executive Chairman	Normal retirement
30 Apr 2021	António Mota de Sousa Horta-Osório	Chief Executive	Normal retirement
19 May 2021	Sara Weller	Non-executive Director	Normal retirement

Changes of Position

Date	Name	New Title	Previous Title
21 May 2020	Alan Dickinson	Deputy Chairman & Lead Independent Director	Lead Independent Director
01 Jan 2021	Robin Budenberg	Non-executive Chairman	Non-executive Director

Changes from 1/Jan/2020 (Start of last financial year).

3.2 Remuneration Committee

Position	Member	Independence Concerns	Attendance	Other Rem Committee Roles	Listed CO CEO?	Background
Chairman	Sinclair	-	7 of 7	International Personal Finance plc	-	Banker
Member	Budenberg	-	2 of 2	-	-	Accountant
Member	Dickinson	-	7 of 7	-	-	Banker
Member	Mackenzie	-	7 of 7	-	-	Marketing
Member	Woods	-	5 of 5	Beazley plc	-	Finance

Composition complies with recommendations of the UK Code.

Terms of Reference: [\[LINK\]](#)

3.3 Nomination & Governance Committee

The UK Corporate Governance Code recommends that a separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments.

Position	Member	Independence Concerns	Attendance
Chairman	Budenberg	-	1 of 1
Member	Dickinson	-	7 of 7
Member	Prettejohn	-	5 of 6
Member	Sinclair	-	6 of 7

Composition complies with recommendations of the UK Code.

Terms of Reference: [\[LINK\]](#)

Advisors

Heidrick & Struggles and Russell Reynolds act as recruitment consultants for Board and senior executive posts.

Succession

On 30 April 2021, António Mota de Sousa Horta-Osório departed from the role of Chief Executive Officer. Charlie Nunn will join as Chief Executive Officer on 16 August 2021.

Company Statement: ‘Once the Chair succession was in place, António Horta-Osório informed the Board of his intention to step down as Group Chief Executive during 2021. Timing of this would help support a smooth transition and allow the new Group Chief Executive to work with the new Chair in the next stage of the Group’s development and transformation.’

The Board has agreed that during any interim period between António Horta-Osório stepping down and Charlie Nunn joining the Group, William Chalmers, Chief Financial Officer will, subject to regulatory approval, take on the role of acting Group Chief Executive in addition to his ongoing responsibilities as Chief Financial Officer, with the support of the Lead Independent Director Alan Dickinson and the Chairman Robin Budenberg.

Significant Appointments

On 1 January 2021, Robin Budenberg was appointed as Non-executive Chairman following the departure of Norman Blackwell from the role. Previously, he served as a Non-executive Director.

On 21 May 2020, Alan Dickinson was appointed as Deputy Chairman & Lead Independent Director following the departure of Anita Frew from the role. Previously, he served as Lead Independent Director.

3.4 Diversity

The UK Code recommends that due regard should be taken when considering the composition of the board of the benefits of diversity, including diversity of gender. The UK Code emphasises the importance of maintaining an appropriate balance of skills and experience within the company and to ensure progressive refreshing of the board.

Position	Number	Gender		Nationality	Professional Experience
		Male	Female		
Other Executives	1	1	0	British	Finance
Chairman	1	1	0	British	Accountant
Other NEDs	7	4	3	British (6) Irish (1)	Accountant, Banker, Finance, Insurance, Marketing
TOTAL	9	6	3		

Comparison: Gender Diversity (% of Females)

Comparator	Board	Executives	Non-Executives
Company	33.3%	0.0%	37.5%
FTSE 100 Index	37.0%	14.2%	43.0%
UK & Ireland Banks Sector	31.1%	8.8%	36.2%

Diversity Disclosures

The UK Corporate Governance Code recommends that a separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include:

UK Code	Company Disclosure
The Board's policy on diversity, including gender	<p><i>'The Board Diversity 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.</i></p> <p><i>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.'</i></p>
Any measurable objectives set	<p>On gender diversity the Board is committed to maintaining at least three female Board members and over time will aim to reach 50% female representation on the Board to match the 50% ambition that the Group has set for female senior roles.</p> <p>The Group has also set a target of 13% of senior roles to be held by Black, Asian and Minority Ethnic executives by 2025.</p>
Progress on achieving the objectives	<ul style="list-style-type: none"> • Three directors sitting on the Board are female; • 37% of employees in Senior Management positions are female; • Overall 42.10% of the total work force is female.
Ethnic diversity targets	The Company complies with the ethnic diversity targets recommended by the Parker Review.

3.5 Leadership

The Chairman was independent on appointment to the Board and has served for less than nine years.

The Chairman previously served as a Non-executive Director prior to appointment as Chair.

The Company has appointed a Lead Independent Director.

3.6 Workforce Engagement

Provision 5 of the 2018 UK Code states that engagement with the workforce should be undertaken by one or a combination of the following methods:

- A director appointed from the workforce;
- A formal workforce advisory panel;
- A designated non-executive director

If the Board has not elected to use any of the methods listed above, it should explain what alternative arrangements are in place and why they are considered to be effective.

The Company has not chosen any of the above options in regard to its workforce engagement and has explained its alternative arrangements.

Company Explanation: *'The Board agreed in 2019 its approach to workforce engagement, which has remained unchanged during the year. The definition of workforce agreed by the Board is our permanent colleagues, contingent workers and third-party suppliers that work on the Group's premises delivering services to our customers and supporting key business operations. The Board continues to receive Workforce Engagement reports which comprises two component parts, a summary of the Board's engagement activity with colleagues, and key themes raised by colleagues and trends on people matters. These covered all matters of colleague engagement, in particular key and emerging issues for colleagues, including Group culture and our response to the COVID pandemic. [...] The Board considers these arrangements invaluable in giving them an understanding of the views of the workforce and encouraging meaningful dialogue between the Board and the workforce.'*

3.7 Independence

The composition of the Board after the AGM is consistent with the UK Code recommendation that the Board should consist of at least half Non-executive Directors, excluding the Chairman, determined by the Board to be independent.

Comparator	Chairman	Executive	Non-Executive			
			Independent by Company		Independent by Minerva	
			Yes	No	Yes	No
Company	11.1%	11.1%	77.8%	0.0%	77.8%	0.0%
FTSE 100 95 companies	9.4%	20.8%	63.9%	3.5%	61.8%	5.6%
Banks 13 companies	9.2%	16.3%	66.0%	5.0%	62.4%	62.4%

NOTE: Minerva's assessment of independence based on a strict application of the local corporate governance code and best practice. Percentages represent the proportion of the Board.

Minerva has not noted any independence issues.

3.8 Attendance & Meetings

The UK Code recommends that the annual report should set out the number of meetings of the Board and its committees, as well as the individual attendance by directors.

Meetings	Number Held	% Attendance	Notable Absences
Board of Directors	13	98.22%	Frew (attended 5 meetings of 6 eligible), Prettejohn (attended 12 meetings of 13 eligible), Sinclair (attended 12 meetings of 13 eligible)
Non-executives (in absence of executives)		Meetings held	but number is not disclosed

3.9 Tenure & Refreshment

Comparator	Executive		Non-Executive	
	Average Tenure (Years)	Years Since Last Appointment	Average Tenure (Years)	Years Since Last Appointment
Company	1.8	1.8	3.6	0.6
FTSE 100 Index	6.7	-	4.4	-
UK & Ireland Banks Sector	8.7	-	5.7	-

*Calculated based on first appointment to Board, not current position. Sector relevant to Company.

3.10 Terms of Office

The Non-executive Directors all have letters of appointment and are appointed for an initial term of three years, after which their appointment may continue subject to an annual review. Non-executive Directors may have their appointment terminated, in accordance with statute and the Articles of Association, at any time with immediate effect and without compensation.

The Chairman also has a letter of appointment. His engagement may be terminated on six months' notice by either the Group or him.

3.11 Director Election Process

The UK Code recommends that directors should be subject to annual re-election by shareholders. All directors stand for annual re-election.

3.12 Board Evaluation

	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
Evaluation Type	Internal	Internal	External	Internal	Internal
External Advisor	Not Applicable	Not Applicable	Egon Zehnder	Not Applicable	Not Applicable
Outcome Disclosed?	Yes	Yes	Yes	Yes	Yes
Process	Questionnaire	Questionnaire	Questionnaire & Individual meetings	Questionnaire & Individual meetings	Questionnaire & Individual meetings

The Company provides that the 2021 evaluation is currently expected to be externally facilitated, with the Nomination and Governance Committee beginning the search process for the external facilitators in the due course.

4 AUDIT & RISK

4.1 Finance Director

William Chalmers has served as the Company's Chief Financial Officer since August 2019. He previously held a number of senior roles at Morgan Stanley, including as Co-Head of the Global Financial Institutions Group and Head of EMEA Financial Institutions Group. Chalmers holds a BA Economics.

4.2 Audit Committee

Position	Member	Independence Concerns	Attendance	Other Audit Committee Roles	Financial Expert	Background
Chairman	Legg	-	6 of 6	-	Yes	Accountant
Member	Dickinson	-	6 of 6	-	Yes	Banker
Member	Prettejohn	-	5 of 6	-	-	Insurance
Member	Woods	-	1 of 1	Beazley plc	Yes	Finance

Composition complies with recommendations of the UK Code.

Terms of Reference: [\[LINK\]](#)

Comparator

Comparator Group	Independence Issues (By Minerva)	Independence Issues (By Company)	Chairman Sits?	Executives Sit?	Committee Size
FTSE 100	18 of 100	0 of 100	3 of 100	0 of 100	3.47

4.3 Risk Committee

Position	Member	Independence Concerns	Attendance	Other Risk Committee Roles	Financial Expert	Background
Chairman	Woods	-	6 of 6	-	Yes	Finance
Member	Budenberg	-	2 of 2	-	Yes	Accountant
Member	Dickinson	-	8 of 8	-	Yes	Banker
Member	Legg	-	8 of 8	-	Yes	Accountant
Member	Lupton	-	8 of 8	-	Yes	Finance
Member	Mackenzie	-	8 of 8	-	-	Marketing
Member	Prettejohn	-	8 of 8	-	-	Insurance
Member	Sinclair	-	8 of 8	-	Yes	Banker

Terms of Reference: [\[LINK\]](#)

4.4 Internal Control

Disclosures follow best practice. No specific concerns identified in the corporate governance report.

4.5 Internal Audit

Function established and staffed internally. The Head of Internal Audit reports to the Audit Committee.

4.6 Risk Management

During the period under review no significant failings or weaknesses have been identified, and the Company's disclosure on risk mirrors that from the previous year.

4.7 Auditors

Appointment, Tenders & Partner Rotation

The external audit firm was first appointed in 1995.

A tender for the audit role was most recently undertaken in 2018.

UK companies are required to put the external audit contract out to tender at least every ten years. The Company has provided the following disclosure regarding the audit tender timetable: *'Following a tender process in 2018, the Committee recommended to the Board that Deloitte be appointed as the Group's auditor for the financial year beginning on 1 January 2021.'*

Auditor Partner & Audit Opinions

	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
Audit Firm	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP	PricewaterhouseCoopers LLP
Audit Partner	M Hannam	M Hannam	M Hannam	M Hannam	M Hannam
Auditor Liability Limitation Agreement	No	No	No	No	No
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Emphasis of Matter	No	No	No	No	No

Audit Partner

Hannam has served as audit partner for the following company within the last 12 months: Close Brothers Group plc.

Source: Minerva data, from latest available annual reports.

Audit Quality & Independence

	DEC 2020	DEC 2019	DEC 2018	DEC 2017	DEC 2016
Audit & Audit-Related Fees (k)	£28,300.0	£26,200.0	£24,700.0	£24,300.0	£22,400.0
Audit Fees as % of Revenue	0.10%	0.06%	0.11%	0.07%	0.05%
Non-Audit Fees (k)	£900.0	£700.0	£2,000.0	£3,600.0	£1,900.0
Non-Audit Fees as % of Audit Fees	3.2%	2.7%	8.1%	14.8%	8.5%

Notable Non-Audit Services

The amount paid for non-audit fees related to other assurance services not related to the performance of the audit or review of the financial statements.

Non-Audit Services Approval Process

'It is the Group's policy to use the auditors on assignments in cases where their knowledge of the Group means that it is neither efficient nor cost effective to employ another firm of accountants.'

The Group has procedures that are designed to ensure auditor independence, including prohibiting certain non-audit services. All audit and non-audit assignments must be pre-approved by the audit committee on an individual engagement basis; for certain types of non-audit engagements where the fee is 'de minimis' the audit committee has pre-approved all assignments subject to confirmation by management. On a quarterly basis, the audit committee receives and reviews a report detailing all pre-approved services and amounts paid to the auditors for such pre-approved services.'

Source: ARP 2020 page 249

4.8 Voting Results – For %

Resolution	AGM: May 2020	AGM: May 2019	AGM: May 2018	AGM: May 2017	AGM: May 2016
Director Election - Chairs Audit Committee	98.7%	98.7%	-	93.5%	99.6%
Auditor - Remuneration	97.8%	99.1%	99.7%	99.5%	99.1%
Auditor - Appointment	95.3%	96.7%	96.2%	97.0%	97.8%

For full details, please see www.minerva.info

5 MEETING BUSINESS ANALYSIS

Resolution 1: To adopt the report & accounts for the year ended 31 December 2020

This resolution seeks to approve the annual report and accounts for the financial year under review.

The UK Corporate Governance Code recommends that companies should, at the AGM, propose a resolution in relation to the report and accounts. A good annual report offers clear and crisp communication with a clear indication of the Company's strategy and avoids unnecessary jargon. Corporate objectives, key performance indicators and strategic priorities should be readily identifiable.

In respect of corporate governance, the UKLA Listing Rules provide for a 'comply or explain' approach to disclosure against the UK Corporate Governance Code. The success of the 'comply or explain' approach lies in the quality of the explanations provided by the Company. Thus, when considering this resolution, the quality of any explanations offered for noncompliance warrants close consideration by shareholders.

No issues of note have been identified.

Resolution 2: To elect as a director, R F Budenberg

Chairman	Age: 62	First Appointed: Oct 2020	Last re-elected: n/a
Company Consider Independent: Yes	Notice Period: Letter of Appointment		
Minerva Consider Independent: Yes - Ind on Appt: Yes			
Chairman of the Nomination Committee. Member of the Remuneration Committee.			
Other Directorships: Chairman of The Crown Estate			
Nationality: British			
Qualifications: Chartered Accountant			

Resolution 3: To re-elect as a director, W L D Chalmers

Chief Financial Officer	Age: 52	First Appointed: Aug 2019	Last re-elected: May 2020 (99.2% For)
Company Consider Independent: N/A	Notice Period: 12-month Open Ended Contract - Rolling Notice Period		
Termination Provisions: Entitled to payment of salary in lieu of notice.			
Termination Provisions (Change of Control): No additional provisions.			
Not a committee member.			
Other Directorships: None noted.			
Nationality: British			
Qualifications: BA Economics			

Resolution 4: To re-elect as a director, A P Dickinson

Deputy Chairman & Lead Independent Director	Age: 70	First Appointed: Sep 2014	Last re-elected: May 2020 (98.6% For)
Company Consider Independent: Yes	Notice Period: 0-month Letter of Appointment		
Minerva Consider Independent: Yes			
Member of the Audit Committee. Member of the Remuneration Committee. Member of the Nomination Committee.			
Other Directorships: None noted.			
Nationality: British			
Qualifications: BSc, MBA, FSS, FCIB, FCIBS			

Resolution 5: To re-elect as a director, S C Legg

Non-executive Director	Age: 53	First Appointed: Dec 2019	Last re-elected: May 2020 (99.8% For)
Company Consider Independent: Yes		Notice Period: 0-month Letter of Appointment	
Minerva Consider Independent: Yes			
Chairman of the Audit Committee.			
Other Directorships: None noted.			
Nationality: British			
Qualifications: MA, FCMA			

Resolution 6: To re-elect as a director, Lupton

Non-executive Director	Age: 65	First Appointed: Jun 2017	Last re-elected: May 2020 (99.8% For)
Company Consider Independent: Yes		Notice Period: 0-month Letter of Appointment	
Minerva Consider Independent: Yes			
Not a committee member.			
Other Directorships: Chairman of Lloyds Bank Corporate Markets plc			
Nationality: British			

Resolution 7: To re-elect as a director, A F Mackenzie

Non-executive Director	Age: 57	First Appointed: Oct 2018	Last re-elected: May 2020 (99.4% For)
Company Consider Independent: Yes		Notice Period: 0-month Letter of Appointment	
Minerva Consider Independent: Yes			
Member of the Remuneration Committee.			
Other Directorships: None noted.			
Nationality: British			
Qualifications: BSc Psychology Minerva: Director with ESG Expertise			

Resolution 8: To re-elect as a director, N E T Prettejohn

Non-executive Director	Age: 60	First Appointed: Jun 2014	Last re-elected: May 2020 (98.9% For)
Company Consider Independent: Yes		Notice Period: 0-month Letter of Appointment	
Minerva Consider Independent: Yes			
Member of the Audit Committee. Member of the Nomination Committee.			
Other Directorships: Chairman of Reach plc & Scottish Widows Ltd			
Nationality: British			
Qualifications: Degree in Philosophy, Politics & Economics Minerva: Director with ESG Expertise			

Resolution 9: To re-elect as a director, S W Sinclair

Non-executive Director	Age: 67	First Appointed: Jan 2016	Last re-elected: May 2020 (98.3% For)
Company Consider Independent: Yes		Notice Period: 0-month Letter of Appointment	
Minerva Consider Independent: Yes			
Chairman of the Remuneration Committee. Member of the Nomination Committee.			
Other Directorships: Chairman of International Personal Finance plc, Lead Independent Director of QBE UK Ltd			
Nationality: British			
Qualifications: MA Economics, MBA			

Resolution 10: To re-elect as a director, C M Woods

Non-executive Director	Age: 58	First Appointed: Mar 2020	Last re-elected: May 2020 (99.8% For)
Company Consider Independent: Yes	Notice Period: 0-month Letter of Appointment		
Minerva Consider Independent: Yes			
Member of the Remuneration Committee. Member of the Audit Committee.			
Other Directorships: Chairman of Beazley Insurance d.a.c, Non-executive Director of Beazley plc & BlackRock Asset Management Ireland Limited			
Nationality: Irish			
Qualifications: BA (Mod) Economics			

Resolution 11: To approve the report on the implementation of the remuneration policy for the year ended 31 December 2020

Background

This resolution provides shareholders with an **advisory** vote on the report of the remuneration committee for the year under review. The entitlement of the directors to remuneration is not conditional upon the approval of this resolution. This vote is now separate from the policy vote following changes to UK regulations.

Voting History

	2020	2019	2018
Remuneration Report – For%	94.62%	90.03%	78.21%

Assessment

Minerva has assessed the Company's disclosures against the recommendations of the UK Corporate Governance Code, institutional investor guidelines and the disclosure requirements set out in both the Companies Acts and the UKLA Listing Rules. The following items have been identified which may be of interest to shareholders:

The targets used to determine the directors' annual bonus in respect of the year under review have not been fully disclosed.

The aggregate of all long-term incentive awards made to CEO represents 301.21% of salary (on a market value basis, based on maximum possible vesting).

The aggregate maximum potential incentive pay for the CEO in respect of the year represents 540% of salary.

Indicates schemes where performance conditions govern the grant instead of the vesting of options/awards.

Minerva Executive Remuneration Assessment grade 'D'.

The disclosures provided do not include full detail of the performance conditions to apply for the LTIP plan in the coming year.

Concerns have been identified with benefit payments.

Resolution 12: To declare a dividend

ORD Dividend Per Share	DEC 2020	DEC 2019	% Change
Ordinary GBP 0.10	£0.0057	£0.0112	-49.11%
Dividend Details	DEC 2020	DEC 2019	% Change
Ordinary Dividend	£403,783,475	£784,588,648	-48.54%
Total Dividend	£403,783,475	£784,588,648	-48.54%
Profit Attributable to Shareholders	£865,000,000	£2,459,000,000	-64.82%
Dividend Cover	2.14 times	3.13 times	-

Dividend represents a relatively small percentage of Free Cash Flow.

The dividend has fallen relative to the prior year.

Resolution 13: To re-appoint as auditors, Deloitte LLP**Resolution 14: To authorise the directors to determine the auditor's remuneration**

It is proposed to appoint Deloitte LLP as the Company's external auditor and to authorise directors to determine their remuneration.

Company Explanation: 'Following a tender process in 2018, the Committee recommended to the Board that Deloitte be appointed as the Group's auditor for the financial year beginning on 1 January 2021.'

Resolution 15: To adopt the Lloyds Banking Group Deferred Bonus Plan 2021**Introduction**

The Board seeks shareholders' approval to adopt the Lloyds Banking Group Deferred Bonus Plan 2021.

Alignment

Any current or former employee or executive director of the Company, any of its subsidiaries or designated associated companies is eligible to participate in the DBP.

All or part of an eligible employee's annual bonus may be deferred into an Award over Shares. In such case an Award will be granted over a value of Shares equivalent to the deferred bonus amount.

Awards may take the form of:

- a conditional right to receive Shares;
- a nil- or nominal-cost option over Shares, which may be exercised during a permitted exercise period (extending not later than the tenth anniversary of the date of grant); or
- to facilitate compliance with the regulatory rules on remuneration applicable to the Company, an Award granted by reference to a fixed cash value.

An Award may also be granted as a "buy-out" in connection with the recruitment of an eligible employee, in which case the value of the Shares over which the Award is granted may not exceed (but may be less than) the value of the Award foregone and the Award will be subject to the terms of the DBP, including the Company's malus and clawback provisions, in line with the required regulatory rules on remuneration applicable to the Company.

For Executive Directors, Awards will only be granted in accordance with the Directors' Remuneration Policy as approved by shareholders from time to time.

As under the Company's current deferral arrangements and as provided for in the Company's current directors' remuneration policy, in calculating the value of Shares subject to Awards the Committee may take into account the regulatory restriction on the Company from being able to award dividend equivalents on Awards.

During any Holding Period, the Shares subject to the Holding Period (net of any Shares sold to cover tax liabilities on vesting) will be restricted and will also remain subject to clawback provisions.

Early Termination

In the event of a takeover, scheme of arrangement, merger or other corporate event, Awards will generally vest at the time of the relevant event to such extent as the Directors may determine, and lapse to the extent they do not vest.

Alternatively, participants may be required or allowed to exchange their Awards for equivalent awards over shares in the acquiring company or cash-based awards of equivalent value.

Dilution & Cost

Scheme Name	Limit	Exclusions Apply?
All schemes	10% of issued share capital over a rolling 10 year period	Yes
All discretionary schemes	5% of issued share capital over a rolling 10 year period	Yes

Minerva Executive Remuneration Assessment grade 'D'.

The aggregate individual participation limit across all granting LTIP schemes plus the short-term incentive following approval of the plan would be 340%.

LTIP awards may be released after only 3 years – release after a minimum of five years would better reflect investor expectations.

Resolution 16: To authorise the Company to make political donations to political parties and political organisations and to incur political expenditure

Shareholder approval is sought to authorise the Company and all companies that are subsidiaries of the Company:

Category	Limit (GBP)	Expires
To make Political Donations to Political Parties or Independent Election Candidates	£100,000	Next AGM
To make Political Donations to Political Organisations other than Political Parties	£100,000	
To incur Political Expenditure	£100,000	
Aggregate Amount	£100,000	

The resolution authorises such donations and expenditure in any of the EU member states. The Companies Act 2006 does not require such prior approval for donations or expenditure outside these states. The resolution is proposed in order to ensure the Company does not inadvertently infringe the provisions of the Act as the law is considered to be broad in scope.

Note: Prior approval is not required for any donations the Company may choose to make outside the EU.

No donations to political parties located in EU member states are made, nor is it intended that the Company should do so, without the specific endorsement of shareholders.

Acceptance of this resolution is unlikely to prove contentious.

The proposed authority, in sterling pounds, is £100,000.

Resolution 17: To approve a general authority to the directors to issue shares

The proposed authority will give the Board the power to issue shares with pre-emption rights up to the following amounts:

Name	Nominal amount	Percentage	With pre-emption?	Expires
General amount	£2,362,800,856	33.33%	Yes	Next AGM
Additional rights issue amount	£2,362,800,856	33.33%	Yes	

This resolution is considered to be drafted in line with applicable [UK market best practice guidelines](#).

SHARES IN ISSUE	DEC-2020	DEC-2019	% Change
Ordinary GBP 0.10	70,839,206,060	70,052,557,838	1.1%

Resolution 18: To approve a specific authority to the directors to issue shares

In addition to the routine 66% general authority (33% general amount + 33% additional rights issue amount), the Board is seeking an additional authority under this resolution that provides for the issue of Additional Tier 1 instruments for up to 17.55% of the issued share capital:

Name	Nominal amount	Percentage	With pre-emption?	Expires
General amount in relation to the issue of Restricted Tier 1 debt instruments	£1,250,000,000	17.64%	Yes	Next AGM

Minerva Comment: The Board is seeking the authority to issue Additional Tier 1 debt instruments to meet the CRD IV minimum loss absorption trigger of 5.125% Common Equity Tier 1.

The capital issued to meet this requirement can currently be in the form of Permanent Write-Down Notes or ECNs and may be issued by the Company AT1 debt instruments are structured such that in certain circumstances, for instance where the Company's CET1 to its total risk weighted- assets falls below 5.125% or a level higher if specified in the terms of the instrument, all AT1 capital instruments must either convert into ordinary shares or have their principal amount written down.

The Board considers the additional authority will allow the Company to manage its capital efficiently and ensure compliance with regulatory requirements. The resolution is unlikely to prove contentious.

Resolution 19: To approve a general authority to the directors to dis-apply pre-emption rights on the issue of shares for cash

Resolution 20: To approve a specific authority to the directors to dis-apply pre-emption rights on the issue of shares for cash for an acquisition or capital investment

The proposed authority will give the Board the power to issues for **cash consideration without** pre-emption rights.

Name	Nominal amount	Percentage	With pre-emption?	Expires
General amount	£354,420,128	5%	No	Next AGM
Additional amount	£354,420,128	5%	No	

This resolution is considered to be drafted in line with applicable [UK market best practice guidelines](#).

The Company **has confirmed** that the extra 5% will only be used in connection with an acquisition or specified capital investment as required by the Pre-emption Group Principles

Resolution 21: To approve a specific authority to the directors to dis-apply pre-emption rights on the issue of shares for cash

In addition to the routine authority to dis-apply pre-emption rights on the issue of shares of up to 10% of the share capital (5% + 5%) the Board is seeking an additional authority under this resolution that provides for the dis-application of pre-emption rights on the issue of Additional Tier 1 instruments for up to 17.64% of the issued share capital:

Name	Nominal amount	Percentage	With pre-emption?	Expires
General amount in relation to the issue of Restricted Tier 1 debt instruments	£1,250,000,000	17.64%	No	Next AGM

Minerva Comment: The Board is seeking the authority to dis-apply pre-emption rights to enable the Board to issue Additional Tier 1 debt instruments to meet the CRD IV minimum loss absorption trigger of 5.125% Common Equity Tier 1. The capital issued to meet this requirement can currently be in the form of Permanent Write-Down Notes or ECNs and may be issued by the Company AT1 debt instruments are structured such that in certain circumstances, for instance where the Company's CET1 to its total risk weighted- assets falls below 5.125% or a level higher if specified in the terms of the instrument, all AT1 capital instruments must either convert into ordinary shares or have their principal amount written down.

The Board considers the additional authority will allow the Company to manage its capital efficiently and ensure compliance with regulatory requirements. The resolution is unlikely to prove contentious despite the high aggregate disapplication request being sought.

Resolution 22: To allow the Company to make market purchases of its own shares

Authority Sought

	Size (% of Issued Share Capital)	Maximum Purchase Price (of Average Market Price)	Duration (months)
Authority Sought	10.0%	105%	15 months (next AGM)
Legal Maximum	15.0%	105%	5 years
Best Practice	10.0%	105%	15 months (next AGM)
Market Practice	10.0%	105%	15 months (next AGM)

Stated Purpose

General authority. The directors consider it appropriate to maintain the flexibility that this authority provides.

No specific announcement regarding proposed buybacks

The Company confirms buybacks would only be undertaken if it would be expected to result in an increase to EPS.

Commentary

Ordinary dividend has decreased by 49.11%.

No buybacks were undertaken during the year under review.

EPS is not utilised as a performance measure in either the annual or long-term incentive structure.

The flexibility provided by this authorisation would allow the Group to respond quickly to market opportunities.

Resolution 23: To allow the Company to make market purchases of its own preference shares**Authority Sought**

	Size (% of Issued Share Capital)	Maximum Purchase Price (of Average Market Price)	Duration (months)
Authority Sought	100%	105%	15 months (next AGM)
Legal Maximum	15.0%	105%	5 years
Best Practice	10.0%	105%	15 months (next AGM)
Market Practice	10.0%	105%	15 months (next AGM)

'There is no limit on the number or value of preference shares that can be purchased. Having authority to buy back any or all of the issued preference shares would provide the Company with flexibility in maintaining a prudent approach to the management of the Group's capital position taking into account other opportunities including, but not limited to, the ability to replace the preference shares with other forms of securities. The Directors intend to keep under review the potential to buy back any or all of the issued preference shares.'

Shareholders will note the non-routine nature of the proposal given the size of the authorisation sought.

Resolution 24: To approve new Articles of Association

It is proposed to amend the Company's Articles of Association to provide greater flexibility for the Company to hold a general meeting either physically or through a combined electronic and physical meeting.

Minerva Comment: The Company is seeking to introduce the ability to convene 'hybrid' meetings in order to allow for the possibility of remote attendees at the AGM. The use of hybrid shareholder meetings is becoming a growing trend in the market particularly more so now due to the complications of the COVID-19 pandemic. Investors are generally supportive of introducing the ability to convene hybrid events; however, concerns may be raised if the Company is intending to hold virtual only events in the absence of physical or hybrid events, once it is physically safe and no longer a safety concern to do so.

The proposal seeks to amend the governing documents of the Company.

The proposal seeks to permit the holding of hybrid general meetings.

Resolution 25: To approve that the notice period for ordinary general meetings, other than AGMs, shall be 14 days

The Board is seeking shareholder approval to convene general meetings other than AGMs with a 14-day notice period. The authority will be valid until the next AGM. The passing of this resolution by the requisite majority will allow the Company to hold any other general meeting on 14 days' notice rather than 21 days' notice, as permitted under the EU Shareholder Rights Directive, providing electronic communications are available to all shareholders.

The Company sought such an authority at the prior AGM but did not convene any other general meeting in the period between the date of the approval of the authorisation and the time of writing this report. The passing of this resolution is unlikely to prove contentious.

6 AGENDA

AGM 11.00AM THURSDAY 20 MAY 2021				
Item	Type *	Resolutions	Board Rec*	Minerva Comment
1	Ord	To adopt the report & accounts for the year ended 31 December 2020	For	
2	Ord	To elect as a director, R F Budenberg	For	
3	Ord	To re-elect as a director, W L D Chalmers	For	
4	Ord	To re-elect as a director, A P Dickinson	For	
5	Ord	To re-elect as a director, S C Legg	For	
6	Ord	To re-elect as a director, Lupton	For	
7	Ord	To re-elect as a director, A F Mackenzie	For	
8	Ord	To re-elect as a director, N E T Prettejohn	For	
9	Ord	To re-elect as a director, S W Sinclair	For	
10	Ord	To re-elect as a director, C M Woods	For	
11	Ord	To approve the report on the implementation of the remuneration policy for the year ended 31 December 2020	For	Benefit concerns. High level of LTIP awards during the year. Minerva Executive Remuneration Assessment grade 'D'. On-grant performance conditions. Poor annual bonus target disclosures. Poor disclosure of LTIP performance conditions. Potential excessive levels of incentive pay.
12	Ord	To declare a dividend	For	Dividend represents relatively small percentage of Free Cash Flow. Reduced dividend.
13	Ord	To re-appoint as auditors, Deloitte LLP	For	
14	Ord	To authorise the directors to determine the auditor's remuneration	For	
15	Ord	To adopt the Lloyds Banking Group Deferred Bonus Plan 2021	For	High individual participation limit. Minerva Executive Remuneration Assessment grade 'D'. Time between award date and release does not reflect investor expectations.
16	Ord	To authorise the Company to make political donations to political parties and political organisations and to incur political expenditure	For	£100,000 authority.
17	Ord	To approve a general authority to the directors to issue shares	For	
18	Ord	To approve a specific authority to the directors to issue shares	For	
19	Spc	To approve a general authority to the directors to dis-apply pre-emption rights on the issue of shares for cash	For	
20	Spc	To approve a specific authority to the directors to dis-apply pre-emption rights on the issue of shares for cash for an acquisition or capital investment	For	
21	Spc	To approve a specific authority to the directors to dis-apply pre-emption rights on the issue of shares for cash	For	
22	Spc	To allow the Company to make market purchases of its own shares	For	
23	Spc	To allow the Company to make market purchases of its own preference shares	For	
24	Spc	To approve new Articles of Association	For	

<u>25</u>	Spc	To approve that the notice period for ordinary general meetings, other than AGMs, shall be 14 days	For
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*Key: Ord = Ordinary, Spc = Special, Ext = Extraordinary, Crt = Court. Board Rec = Board's Recommendation.

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