

Equator Principles

HBOS adopted the Equator Principles in August 2006, and this is our second full report since adoption. The Equator Principles are voluntary guidelines which promote socially responsible conduct and sound environmental practices in relation to Project Finance, and seek to provide a framework against which lending can be assessed. The principles apply to all new Project Finance arrangements above US\$10m. Equator Principles Financial Institutions (EPFIs) are committed to reporting annually on their EP activities.

HBOS have a range of governance procedures in place to ensure EP transactions are screened appropriately. The nominated Head of Function has the following responsibilities codified in their role profile;

- Ultimate responsibility for Bank's compliance with Equator Principles Procedures;
- Responsibility for reporting on Equator Principles matters to the Divisional Chief Executive and the Board;
- Acting as a link between the HBOS Equator Principles Referral Committee and the Group Credit Committee. This involves escalating complex EP issues/concerns by the Referral Committee to the Group Credit Committee.

The Equator Principles Working Group have responsibility for the day-to-day management of EP, including staff training, data capture, and escalation of transactions to the Referral Committee. The Referral Committee act to confirm risk appetite and provide scrutiny for Category A Equator Principles transactions.

Though no new deals were completed during the year, work has taken place to create a mechanism for reviewing and recording amendments to existing EP deals, and therefore any environmental or social issues which require consideration by the Working Group

Work is currently in progress to develop and implement a single organisation-wide method of data capture and reporting of EP transactions across Lloyds Banking Group. In parallel, revised Environmental and Reputational risk policies are being drafted to strengthen the identification, assessment and management of these risks within the organisation.

The tables below show the Equator Principles reporting for HBOS from 01/01/2008 through to 31/12/2008.

	A	B	C	Total
Deals				
- Completed	-	-	-	0
- In Progress	-	-	-	0
- Not Completed	-	1	-	1
Sub-Total	0	1	0	1