

LLOYDS
BANKING
GROUP



Helping Britain Prosper

Responsible Business Report 2013

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View our Responsible Business Report online

You can find our online 2013 Responsible Business Report at:
www.lloydsbankinggroup-cr.com



Helping Britain Prosper

Our corporate purpose is to help Britain prosper: its households, businesses and communities. Our strategy to be the best bank for customers supports this purpose and responsible business practices are at its heart.

Our Responsible Business Report shares our progress against these goals.

Part One:

The first part of our report introduces our new Helping Britain Prosper Plan

The first of its kind to be launched by a UK bank, the Helping Britain Prosper Plan sets out a series of bold public commitments to do even more to help address several of the big issues facing our customers and Britain right now. The Helping Britain Prosper Plan sharpens our strategy to be the best bank for customers: focusing our attention and resources on the ways in which we can make the biggest positive difference. It's a way to re-build trust in our brands by demonstrating that customers' issues are our issues too.

Part Two:

The second part reports on our performance as a responsible business in 2013

We report on our performance against our five Responsible Business pillars, which cover customers, colleagues, communities, the environment and external stakeholders. We report in this way to ensure that all aspects of our non-financial performance are addressed and because the five pillars are integral to our strategy to be the best bank for customers.

How to find the issues that matter most to you

We know that some stakeholders are interested in finding out how we're addressing specific issues. To help them, we've highlighted exactly where these issues are addressed in our report.

Putting customers at the heart of our business

How we're re-building trust in our brands and championing financial inclusion:

Helping home buyers and SMEs	p.24	Building our brands	p.29
Financial inclusion	p.26	Reducing complaints and dealing with legacy issues	p.30
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Building a company that's great to work for

How we're building the most professional and customer-focused workforce in British banking:

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Investing in communities to help them prosper and grow

How we're helping local communities across Britain to flourish:

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Working continually to reduce environmental impacts

How we're managing our carbon footprint, becoming more energy efficient and working towards a lower carbon economy:

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Working responsibly with our external stakeholders

How we're supporting the UK Government, embedding responsible business into our supply chains and engaging with other key external stakeholders:

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ABOUT THIS ANNUAL RESPONSIBLE BUSINESS REPORT

We aspire to do business in a responsible way. This report provides a comparatively detailed account of our progress in 2013 and plans for the future. Stakeholders who want an overview of the year may prefer to read our Summary Responsible Business Report for 2013.

A summary of 2013

For a quick read, download our summary report at www.lloydsbankinggroup-cr.com



How you can get more from our report

To help you find the information you want as quickly as possible, we've structured the report in three distinct sections:

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How we decide what information to include

Like any other large, complex organisation, our activities connect us to an almost limitless number of economic, social and environmental issues – so deciding which ones to address in our report is not straightforward. To help us decide what information to include in this report, we've engaged with a representative cross-section of our stakeholders (including colleagues, customers and external parties) to review our approach to materiality and prioritise the issues. Where possible, we've used their feedback to structure the report. You can read about our approach to reporting and our materiality process on page 74.

What our report covers

Broadly speaking, our report includes information about our responsible business activities from 1 January 2013 to 31 December 2013. It focuses primarily on our UK operations, and includes all our material activities. In some instances, where we refer to 'legacy' issues for example, the report refers to events that took place prior to 2013 but still have an impact on our business. The environmental data included in the report covers the period 1 October 2012 to 30 September 2013. This is explained in greater detail in the Environment section of the report, starting on page 50.

We report on our performance against our five Responsible Business pillars:

- We put customers at the heart of our business
- We aim to be a great company to work for
- We invest in communities to help them prosper and grow
- We work to continually reduce environmental impacts
- We work responsibly with our external stakeholders

Global Reporting Initiative (GRI)

We recognise the benefits of the work of the Global Reporting Initiative (GRI), stay up to date with developments, and conduct an alignment process to assess our reporting level. In doing so for this report we have worked to the GRI G3.1 Sustainability Reporting Guidelines. For more information relating to how we align this report, please refer to the GRI Content Index which can be found at www.lloydsbankinggroup-cr.com

HOW IT ALL FITS TOGETHER

Our values

- ▷ Putting customers first
- ▷ Keeping it simple
- ▷ Making a difference together

Our values underpin everything we do, guiding how we work and defining the standards we set every day.

Our purpose

Helping Britain prosper

We're here to help Britain prosper because it's the best way to deliver sustainable success.

Our Helping Britain Prosper Plan

Being the best bank for households, businesses and communities

The Helping Britain Prosper Plan brings our strategy to be the best bank for customers together with our community-focused activities, focusing on the ways in which we make the biggest positive impact. The plan sets out clear commitments.

Our Helping Britain Prosper Plan commitments

1. Helping home buyers
2. Helping people plan for later life
3. Championing financial inclusion
4. Supporting businesses and procuring responsibly
5. Helping businesses and individuals succeed with expert training and mentoring
6. Investing in communities to help them thrive
7. Celebrating diversity

Our Helping Britain Prosper Plan commitments are broad-ranging and deliberately stretching. We want them to inspire and drive us to achieve more.

Our Codes of Responsibility

Following our Codes of Personal and Business Responsibility

Our Code of Personal Responsibility and Code of Business Responsibility provide a daily reference point to ensure we all work in line with our values. They are a key reference point for all our colleagues.

Our Responsible Business pillars

Focusing on our five performance pillars:

- ▷ We put customers at the heart of our business
- ▷ We aim to be a great company to work for
- ▷ We invest in communities to help them prosper and grow
- ▷ We work to continually reduce environmental impacts
- ▷ We work responsibly with our external stakeholders

RE-BUILDING CUSTOMERS' TRUST IN OUR BRANDS



'Only when customers and stakeholders see clearly that we are always doing the right thing will they fully trust us again.'

Our Group Chief Executive António Horta-Osório shares his views on responsible business, the Group's performance in 2013 and his vision of what being the best bank for Britain really involves.

What does responsible business mean for Lloyds Banking Group?

For me, this question is straightforward. I don't believe that our responsible business activities are separate from any of our other business activities. We have one strategy for delivering sustainable success – being the best bank for customers – and doing business responsibly is inherent in this strategy. We aim to deliver sustainable value for shareholders and customers; and by investing in their communities, we will create the opportunities for our own sustainable growth.

You say that your strategy is all about being the best bank for customers – but what does this really mean?

It's about putting customers at the heart of everything we do as an organisation, wherever we do business. Being the best bank for customers means offering simple, relevant products to people at all levels of society across Britain. Not just those enjoying relative prosperity; but also those facing financial difficulties, coping with disabilities, striving to buy their first home or find their first job. To be the 'best' we must help all of our customers.

Launching our new Helping Britain Prosper Plan highlights the fact that our definition of 'best bank for customers' goes way beyond the products and services we offer them. The Plan incorporates bold, public commitments to help address some of the big issues facing Britain today. It demonstrates to customers that their concerns are our concerns.

How confident are you that the Group can deliver for customers?

I am very confident. Firstly, because I trust in the ability and commitment of colleagues right across the Group; secondly, because we are now in good shape financially. We have substantially reduced our cost base over the past two years, whilst retaining a strong presence on Britain's high streets – in fact, we have made a firm commitment not to close a branch if we are the only option for customers in a local community. Just as importantly, we have become more competitive without reducing the £85 million set aside for community investment last year.

Now we are in a position to pass on the benefits of our improved operational efficiency and lower cost base to customers, in the form of more competitive products and services.

In last year's report you stressed the need to change the Group's culture; is this change under way?

It's important to understand the nature of the change we envisage. In the past, there has been a greater focus on meeting sales targets; now we want colleagues to focus on meeting customers' needs. We want to make this change because the best way to please customers is to offer them products and services that indisputably provide real value to them.

The other important point to bear in mind is that we are a Group of around 90,000 colleagues. So, completing a Groupwide culture change programme will take time. We have started the process, for example by changing the way we measure colleagues' performance and incentivise them. We have also launched a comprehensive cultural assessment to help us highlight what more needs to be done. We can be pleased with our progress but there's no reason for complacency.

If you could pick out a couple of your proudest achievements from this year, what would they be?

There are so many to choose from, but I think the fact we've exceeded our own targets for SME lending and mortgages to first-time buyers shows our commitment to helping Britain prosper. I'm delighted that 97 per cent of colleagues completed training on our Codes of Business and Personal Responsibility. And the fact that our high street brands recorded their highest satisfaction ever is also a big source of pride for me.

What are the biggest challenges ahead?

As well as changing our culture to become more customer-focused, we also need to build on our strengths and improve our performance in other areas. We need customers to trust us to provide a broader range of the products and services that matter most to them.

There is still more to be done to re-build trust in the Group by dealing efficiently and transparently with legacy issues such as PPI mis-selling. Only when customers and other stakeholders see clearly that we are always doing the right thing for customers, will they trust us fully again.

Our Helping Britain Prosper Plan also includes some challenging targets for us as a business – maintaining our position as a provider of one in four of first-time buyer mortgages as we prepare to divest some of our branches as part of the TSB flotation, for instance. And, in the longer term, our target of having a 40 per cent of senior roles held by women by 2020 will also need our focus and drive today.

Customer trust seems like a big theme for the last year, and the future. What more do you have planned here?

Trust is absolutely our priority for 2014 and beyond. As a result, the Lloyds Banking Group of the future will continue to avoid high-risk products. We will lead in our use of new channels to serve customers but also retain our unique status on Britain's high streets. In some respects, we will turn the clock back to the way banking once was: becoming more austere in our attitude towards their money. We will be a bank they can trust to always have their best interests at heart.



António Horta-Osório
Group Chief Executive

INTRODUCTION

'Launching the Helping Britain Prosper Plan sends out a clear signal that responsible business is fully integrated into our broader business strategy, our reporting structures and the way we measure our performance.'

Anita Frew, Chair of our Responsible Business Committee sets our performance over the past year in context.



As Chair of the Responsible Business Committee, I'm delighted to welcome you to our 2013 Responsible Business Report and excited to share my views on the past 12 months: a period during which we've made considerable progress in embedding a responsible business culture across the Group and setting ambitious targets for the future.

Our achievements in 2013

We've come a long way in a relatively short time, effectively transforming the way we perceive responsible business. To put it simply, we no longer see responsible business activities as being separate from our overall strategy, but as integral to it: critical drivers for building a sustainably successful Group. We also understand how doing business responsibly supports our driving purpose to help Britain prosper and our strategy to be the best bank for customers. We've achieved this clarity with input from many stakeholders and I thank them all for helping us refine our thinking.

Launching the Helping Britain Prosper Plan

Over the last couple of years, we've monitored our performance against the five Responsible Business pillars set out in our Codes of Responsibility – customers, colleagues, communities, environment and external stakeholders. This year, we continued to manage our performance against these five pillars, but we've also gone one step further by putting in place structures that bring responsible business thinking and practice into the heart of our Group, from boardroom to branch; and prioritised the ways in which we can best help Britain prosper.

From 2014, we will measure our performance against the public commitments set out in the new Helping Britain Prosper Plan – making us more accountable than ever before. I believe the Plan will really help us to build pride within the organisation, as well as trust with our customers and, ultimately, demonstrate to shareholders and regulators that we can deliver value for them and for society.

Measuring how we help Britain prosper

We have launched our Helping Britain Prosper Plan because of the concerted effort of colleagues across the Group – at every level in every division and function – to help us put robust metrics in place. Consequently we can now measure our progress in helping Britain prosper and have this validated independently. This is important for us, because the more we understand what does and doesn't work, the more we can maximise the impact of our actions. It's important for customers, because it demonstrates that their concerns are our concerns. It's important for stakeholders because it allows them to benchmark our performance.

Launching the Helping Britain Prosper Plan sends out a clear signal that responsible business is fully integrated into our broader business strategy, our reporting structures and the way we measure colleagues' contributions.

Strengthening our culture

We've now completed the first phase of a Groupwide cultural assessment that's helping us to measure progress and build momentum as we help our 90,000 colleagues adapt to new ways of working by focusing on achieving successful outcomes for our customers rather than successful sales figures. We've also significantly changed the way we reward performance.

Involving all business areas

This year, we've expanded our Responsible Business Committee, which now comprises senior leaders from each and every part of the Group, including members of the Group Executive Committee and the Board. As its Chair, I report directly to the Board.

I'm pleased to say that the Responsible Business Committee has consistently supported the Board, the Group Executive Committee and colleagues across the business to drive the Helping Britain Prosper Plan and responsible business agenda forward. I would like to thank my fellow committee members and all those colleagues who presented progress reports to us in 2013, for their combined efforts. Together, we've set a remarkable pace for change.

A bank with higher purpose

We can take pride in our achievements as a responsible business this year, although there is still a lot more to be done. What I find most rewarding is the prospect of working together towards the Helping Britain Prosper Plan targets – and creating a bank that creates value for all our stakeholders.

I sincerely believe that we can become the best bank for customers – the bank that they implicitly trust to have their best interests at heart. We can become the best bank for colleagues: a bank they can thrive with, professionally and personally; a bank they can feel proud to work with. A bank helping Britain to prosper.



Anita Frew
Non-Executive Director, Lloyds Banking Group
and Chair, Responsible Business Committee

Responsible Business Committee

Our Responsible Business Committee comprises senior leaders from every part of the Group and a representative from our Graduate Programme.



Anita Frew
Independent Director



Matthew Young
Group Corporate Affairs Director



David Nicholson
Group Director, Halifax
Community Bank



Janet Pope
Chief of Staff to the Group
Chief Executive



Rupert McNeil
Group HR Director



Graham Lindsay
Director, Responsible Business
& Community Affairs



Tim Hinton
Managing Director, SME &
Mid-Markets Banking



Philip Grant
Managing Director, Customer & Risk



Andy Parsons
Finance Director, Insurance



Donald Mackenzie
Group Audit Director



Miguel-Ángel Rodríguez-Sola
Group Director, Digital, Marketing
Customer Development



Annette Barnes
Managing Director, Operations



Martin Turner
Risk Chief Operating Officer



Paul Turner
Director, Strategy & Governance,
Responsible Business



Caroline McCarthy-Stout
Head of Strategy & Reporting,
Responsible Business

WHO WE ARE AND WHAT WE DO

About Lloyds Banking Group

We're a financial services group, serving more than 30 million customers across Britain through our iconic 'high street' brands. We provide banking services, house and car insurance, life assurance, pensions and investments.

We're focused on retail and commercial financial services, so customer service is all-important to our success. We believe that by putting customers at the heart of everything we do, we can make a positive contribution to helping Britain prosper – its households, businesses and communities.

Our heritage

Lloyds Banking Group was formed in 2009, following the acquisition of HBOS by Lloyds TSB Group. Our combined history stretches back more than 300 years and each of our brands has a proud heritage, connecting it to high streets and local communities across Britain.



Our key brands

In 2013, we separated our Lloyds Bank and TSB retail brands, in preparation for the divestment of 631 TSB branches. In 2013 we also announced the divestment of Scottish Widows Investment Partnership, which will be completed during 2014. Both changes are likely to impact our approach to reporting in 2014.



With roots reaching back to 1765, Lloyds Bank operates through nearly 1,300 branches, providing retail, commercial, private and international banking services.



Established in 1852 as a local building society, the Halifax is now a market leader in savings and mortgages, with 664 branches.



A pillar of the Scottish business establishment for more than 300 years, with 290 branches across Scotland.



With roots dating back to 1810, TSB was re-launched in 2013 with over 630 branches, to bring more competition to the UK banking market.

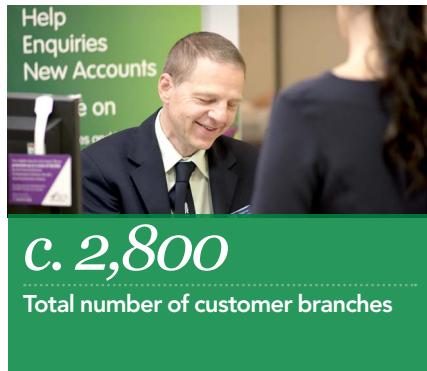


One of the world's most recognised brands in the life, pensions and investments industry, Scottish Widows began business as Scotland's first mutual life office in 1815.

Read more about our brands at:
www.lloydsbankinggroup.com



Our key dimensions in 2013



Our financial performance in 2013

£18.8 billion

Underlying income

£6.2 billion

Underlying Group profit
before tax

£415 million

Group statutory profit
before tax

Read and download our 2013
Annual Report and Accounts at:
www.lloydsbankinggroup.com



Our values



Our strategy is to be the best bank for customers. To deliver this strategy it's essential that we work in line with our three Group values.

Together, they underpin the way we operate and shape our vision for the future. They also inform our Code of Personal Responsibility and Code of Business Responsibility – a day-to-day reference point for all colleagues.

HOW WE CREATE VALUE

As one of Britain's leading commercial and retail banking groups our business is simple and straightforward; a relatively low risk model and absolutely focused on customers.

We provide a range of banking and financial services to personal and corporate customers – maximising our distinctive assets and capabilities to meet their needs. We believe that putting customers first and doing business in a way that is sustainable and responsible is the best and only way to help Britain prosper and create value for our shareholders.

Despite the recession, the British financial services market is still one of the largest in the world. We've evolved our business model and current strategy against the backdrop of 'tough times' but we believe that both are fit for purpose at all stages of the economic cycle. They also differentiate us from our competitors and position us to respond successfully to future regulatory reforms.

Above all, our approach gives us the opportunity to re-build trust with our customers, colleagues and stakeholders.

How we create value

A simple, low risk, customer-focused UK banking model delivering the right products with good service at a fair price.

Simple, tailored products addressing customer needs...

- Lending
- Deposit taking
- Insurance
- Investment
- Debt financing
- Risk management

...delivered through our four divisions.

Unique and effective service proposition...

- Iconic and distinctive brands
- Broad multi-channel distribution network: branch, telephone and digital
- High quality, committed colleagues
- Efficient systems and processes
- Financial strength
- UK focus

Creating distinctive value for customers through...

- Superior consumer insight
- Relationship focus
- Using our cost advantage for the benefit of customers

Enabling sustainable value creation.



Becoming the best bank for customers

Targeting strong, sustainable returns for our shareholders



How we can help Britain prosper

The 'ripple' effect we initiate – through our products and services, our community investments and the tireless work of our 90,000 colleagues – can help Britain's households, businesses and communities to prosper in many different ways as this diagram shows.

Part One

Introducing our Helping Britain Prosper Plan

People across Britain are facing some big issues – a lack of affordable housing, the challenge of finding a job or escaping the trap of financial exclusion, the health issues that arise as more of us live longer and the difficulties of starting or running a successful business in tough times. The Helping Britain Prosper Plan is our response to some of these big issues; the ones we're best placed to help our customers tackle.





Introducing our new Helping Britain Prosper Plan

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THE HELPING BRITAIN PROSPER PLAN

'Clarity of purpose and a recognition throughout the business that customers' interests come first are both greatly welcomed. But the full potential of the Helping Britain Prosper Plan lies not just in helping customers address key issues in their lives but in its commitment to trust, integrity, professional standards and the acceptance of a wider responsibility to society, all of which are critical components for any sustainable enterprise today.'

'Importantly too, there is clear accountability at board level for ensuring that these values are lived throughout the business and a governance process which commits to independent verification, enabling management and stakeholders to evaluate progress in a coherent and consistent way year-on-year. This is at the cutting edge of good practice and will provide scope for further improvements in the future.'

Richard Sermon MBE, City Values Forum



The Helping Britain Prosper Plan



The Helping Britain Prosper Plan is simple but ambitious. It sets out seven key commitments and over 20 independently verified 'prosper metrics' which cover the areas where we can make the biggest difference for our customers across households, businesses and communities. And it directly supports our business strategy to be the best bank for customers.

People across Britain are facing some big issues – a lack of affordable housing, the challenge of finding a job or escaping the trap of financial exclusion, the health issues that arise as more of us live longer and the difficulties of starting or running a successful business in tough times. The Helping Britain Prosper Plan is our response to some of these big issues; the ones we're best placed to help our customers tackle.

Economic stability is at the heart of every thriving society. It's the foundation that health, education and happiness are built on. Which is why, at Lloyds Banking Group, we've launched a plan that will show how our products, services and responsible business programmes are helping Britain prosper. We're the first UK bank to launch a plan like this. We're doing it because, as one of Britain's leading commercial and retail banking groups, we're sure of our purpose: to be a responsible, sustainably successful business that helps Britain prosper. We also believe that the Helping Britain Prosper Plan is a way to re-build trust with our customers by demonstrating that we're focused on the issues they face.

For us, banking is about helping people to manage their money effectively, so they can focus on the things that are most important to them. The Helping Britain Prosper Plan – delivered by our 90,000 colleagues through our iconic brands – will help us do this. It's a plan with one driving purpose at its heart – helping Britain prosper.

How we developed the Helping Britain Prosper Plan

What do we really mean when we say that we want to help Britain prosper? To develop the Helping Britain Prosper Plan we evolved a definition of the term 'to prosper' based on a number of external benchmarks, including the Legatum Prosperity Index, the Organisation for Economic Co-operation and Development Better Life Index and UK Quality of Life Indicators. Referring back to this definition, we consulted with a number of internal and external stakeholders to help us find out what matters to them and to identify the ways in which Lloyds Banking Group is able to help Britain prosper through specific business activities and investments. The Helping Britain Prosper Plan documents our intention to focus on these activities, setting out clear commitments to help us measure our progress.

Developing a robust and relevant Helping Britain Prosper Plan

Throughout the evolution of the Plan we've asked ourselves some pressing questions and turned to external stakeholders and specialist advisers to help us find the right answers:

Why do we aspire to help Britain prosper?

This is a basic question, but it's important to understand why we're making this purpose central to our strategy. The answer is multi-dimensional. In part, we want to help Britain prosper because the drive to contribute to Britain's economic and social success has been in our corporate DNA for more than 300 years. We also 'care' because Lloyds Banking Group is a British business – a corporate citizen in the full sense. At the same time, we're a business that seeks to deliver a good return for its shareholders – and given that our strategy is focused almost entirely on Britain, it makes good business sense to invest in supporting Britain's prosperity. Last, but certainly not least, we want to help Britain prosper because our customers want Britain to prosper and, above all else, we want to help our customers to regain their trust in our brands.

Why these seven commitments?

We thought long and hard about what it means 'to prosper' and also the barriers to prospering – the issues our customers and their communities face. This list was initially a long one and it soon became apparent that in order to address all the issues on it we would have to spread our resources very thinly. So we developed a shorter list – based on a detailed assessment of the issues that we're best placed to help address. This assessment took into account many different factors, including our commercial objectives, the profile of our customer base, our inherent strengths, responsible business activities already under way and the risks inherent in doing nothing to address a particular issue. The seven commitments are the final outcome of the assessment.

Why are we confident that we can meet these commitments?

We're confident that we can achieve more to help Britain prosper by working to meet these commitments. After all, what's the point in setting the bar too low? We want the commitments to inspire us to improve our performance. We've no interest in 'easy wins'. We believe we can achieve more by implementing the Helping Britain Prosper Plan because we've developed robust key performance indicators that will enable us to measure our performance against each commitment and report on our progress year-on-year.

Our Plan will continuously evolve over time in line with business direction and market changes. To ensure our commitments and measures continue to remain relevant, any changes will be in line with the Group's strategic review.

People across Britain are facing some big issues. The Helping Britain Prosper Plan is our response to them.

1

We'll help more customers
get on the housing ladder – and
more customers climb up it



	2014 target	2017 target
1.1 Number of first-time buyers supported through delivering the most comprehensive mortgage proposition in the UK mortgage market	>80,000	1 in 4
1.2 Share of new-build mortgages provided (for first-time buyers, second steppers and private rented)	1 in 4	1 in 4

2

We will help our customers
plan and save for later life



	2014 target	2017 target
2.1 Number of customers we help to plan for later life through company pension schemes	1.1m (cumulative)	1.3m (cumulative)
2.2 Number of customers we help post-retirement through providing a continuing annuity income	0.55m (cumulative)	0.6m (cumulative)

3

We'll take a lead in financial
inclusion to enable all
individuals to access, and
benefit from, the products and
services they need to make the
most of their money



	2014 target	2017 target
3.1 Amount of additional funding provided to support Credit Unions per year	£1m	£1m
3.2 Share of social banking accounts we will support	1 in 4	1 in 4
3.3 Number of community support workers accredited to deliver financial education on the front line ¹	1,830 (cumulative)	4,000 (cumulative)
3.4 Maintain a category gold award with the Business Disability Forum (BDF) by achieving a high score across the ten areas ² that lead to a disability confident organisation.	>90% score	>90% score

4

We'll help businesses to start
up and scale up, and we will
procure responsibly



	2014 target	2017 target
4.1 Increased amount of net lending to SMEs on an annual basis (total cumulative)	>£1bn (£28bn)	>£1bn (>£31bn)
4.2 Number of start-up businesses we will help to get off the ground	>100k	1 in 5
4.3 Increased amount of new lending provided to support UK manufacturing businesses per year	£1bn	£4bn (cumulative)
4.4 Number of entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs programmes	>750 (cumulative)	1,300 (cumulative)
4.5 % of supplier invoices paid within 30 days (% payment within 60 days)	95% (100%)	99% (100%)

5

We'll help businesses and
individuals succeed with expert
mentoring and training



	2014 target	2017 target
5.1 Number of colleagues trained to mentor SMEs and social entrepreneurs through the Business Finance Taskforce accredited scheme and the Lloyds Bank and Bank of Scotland Social Entrepreneurs programmes	1,000 (cumulative)	1,700 (cumulative)
5.2 Number of new Lloyds Banking Group Apprenticeship positions created with permanent employment	2,450 (cumulative)	5,000 (cumulative)
5.3 % of Lloyds Banking Group Apprenticeships taken up by external candidates from the UK's most disadvantaged areas	N/A	30%
5.4 Number of undergraduates from low income families supported by the Lloyds Scholars programme	360 (cumulative)	720 (cumulative)
5.5 % of Lloyds Scholars (from low income families) who have secured a job within six months of graduating from university ³	90%	90%

6

We'll be the banking Group
that brings communities closer
together to help them thrive



	2014 target	2020 target
6.1 Number of paid volunteer hours used by colleagues to support community projects	800,000 (cumulative)	>2.3 million (cumulative)
6.2 Number of community organisations supported by our volunteers or funding	6,500	10,000
6.3 £ donated to the Bank's Foundations to help tackle disadvantage	£16.5m	>£100m (cumulative)
6.4 £ raised by colleagues for our Charity of the Year (including Matched Giving) to support those in need in our communities	£1.7m	£12m (cumulative)

7

We'll better represent the
diversity of our customer
base and our communities at
all levels of the Group



	2014 target	2020 target
7.1 % of senior roles ⁴ to be held by women	29%	40%
7.2 We will consistently increase the engagement levels of ethnic minority colleagues in all roles	66 (Colleague Survey score)	>70 ⁵
7.3 We will consistently increase the engagement levels of disabled colleagues in all roles	55 (Colleague Survey score)	>70 ⁵
7.4 We will consistently increase the engagement levels of LGBT colleagues in all roles	60 (Colleague Survey score)	>70 ⁵

¹ Through Money for Life's Teach Others and Money Mentors programmes

² Includes Commitment; Know-how; Adjustments; Recruitment; Retention; Products and Services; Suppliers and Partners; Communication; Premises; Information and Communication Technology

³ This % is based on the number of Scholars who are actively seeking employment

⁴ Senior roles refers to top 8,000 individuals

⁵ UK High Performing norm – target will change if High Performing norm changes

N.B All of these metrics are subject to review in the autumn pending the outcomes of the Group Strategic Review

The Helping Britain Prosper Plan in context



'The Helping Britain Prosper Plan is our response to some of the big issues facing Britain, the issues our customers share with us day in and day out, in branches or via our digital and telephone banking services.' This is how Graham Lindsay Director, Responsible Business and Community Affairs explains the evolution of the Plan.

Helping home buyers

Britain may face a property shortage of more than 1 million homes by 2022.¹

Helping families

In 2007, Save the Children calculated that many families excluded from mainstream financial services paid a 'poverty premium' of up to £1,000 a year.²

Helping young people

Unemployment figures for young people aged 16–25 are currently around 21% in Britain, where the number of young black men unemployed has doubled in just three years.³

'The Helping Britain Prosper Plan addresses issues that we couldn't ignore. For example, it is estimated that 8 million people on lower incomes can't access funding from banks, or that more than 76 per cent of people affected by dementia (directly or as carers) find dealing with financial service providers the most difficult challenge of all. How could we know this and not respond? Particularly when we're so well equipped to make a positive difference?'

Lindsay stresses the importance of applying what he calls the High Street test. 'It's a simple premise: ask yourself (even better ask your customers) what they really need from their bank; then do all you can to exceed their expectations. This was our starting point.'

'Those of us involved in developing the Helping Britain Prosper Plan, including members of the Responsible Business Committee, spent much of last year assessing the issues that our customers face today and are likely to face in future. We canvassed the views of colleagues in all divisions and functions, we listened attentively to our external stakeholders, and most importantly, we analysed the feedback we get from our customers. This exercise highlighted a number of big issues – including the difficulties first-time home buyers face, the financial obstacles confronting Britain's SMEs, the challenges arising from an ageing population and the circumstances that leave too many people financially excluded.'

'In essence, it's clear to see that we've based the Helping Britain Prosper Plan commitments on these and a number of other issues. The commitments reflect the issues that we're best equipped to help Britain address. We believe that this direct connection makes the Helping Britain Prosper Plan distinctive and relevant. No other business could help Britain to prosper in quite the same way.'

Responsible business as usual

Asked to explain the timing of the Helping Britain Prosper Plan launch, Lindsay stresses that it marks the latest leg of a responsible business journey that started more than 300 years ago. He refers to a poster that enjoys pride of place in his office. 'The headline reads, more than 300 years helping Britain Prosper and that's no false claim. Our brands have contributed to help Britain prosper in good times and bad times, for a very long time.'

He provides a number of examples to back up his argument. '1850 – the Union Bank of Scotland supported its customer Arrol & Co in building the Forth Bridge, 1940 – 12,000 Lloyds Bank colleagues donated 12 shillings each to buy the Black Horse Spitfire for the RAF, which was in active service during the Second World War, 1963 – Bank of Scotland introduced mobile branches to serve rural communities, they're still in operation today... The list goes on.' He's also forthright about the fact that trust in banking has been dented during the financial crisis. 'We made some mistakes. We've acknowledged that – and we know it will take time to rectify them and re-build trust in our brands. But my point is that over the long term these mistakes are the exception, not the rule.'

¹ Source – the Joseph Rowntree Foundation

² Source – transact, the National Forum for Financial Inclusion

³ Office for National Statistics

'This is a good time to go public with the Helping Britain Prosper Plan, because we do have a hill to climb to re-build trust in our brands. A public plan makes a bold statement of intent. It sends out positive signals to our customers – demonstrating that we're confronting the issues they face.'

Graham Lindsay
Director, Responsible Business
and Community Affairs

What's not in the Helping Britain Prosper Plan

The Helping Britain Prosper Plan focuses on many of the issues confronting Britain's households, businesses and communities, but contains no commitments directly connected to the environment. Asked to explain why, Lindsay lists several reasons. 'Firstly, we see our continued efforts to become a more sustainable business as good governance and sound risk management. We already have a robust Environmental Action Plan in place and set targets across the business to manage and measure our environmental footprint. Secondly, we wanted the Plan to be perceived as more than 'just another green business initiative', so we deliberately focused on the issues that most concern our customers.'

Going public

Lindsay believes 'this is a good time to go public with the Helping Britain Prosper Plan, because we do have a hill to climb to re-build trust in our brands. A public plan makes a bold statement of intent. It sends out positive signals to our customers – demonstrating that we're confronting the issues they face. It provides a rallying call for our 90,000 colleagues. It demonstrates to shareholders that we're focused on long-term value rather than short-term gains that may carry inappropriate risks. And it makes us more accountable to our stakeholders.'

He emphasises the detailed planning and preparation that has been completed to make the Helping Britain Prosper Plan 'rigorous and measurable', explaining that 'we have metrics in place to measure our performance on all the commitments, which will allow us to report on them accurately. We'll know how we're progressing at any point in time, and so will the wider world. We're happy with this level of transparency and scrutiny and will go through an annual independent certification process.'

Looking ahead

Lindsay ends his discussion by re-emphasising that it's focused on prioritised issues – 'The issues that most concern our stakeholders today and which we can do most to help them address. These issues will invariably change over time and others will also emerge. If we need to evolve the Helping Britain Prosper Plan to meet the needs of a changing Britain, we'll be ready to do so.'

Helping people on low incomes

In 2013 an estimated 8 million people on lower incomes couldn't access funding from banks, 2 million used doorstep lenders and 1.4 million didn't have bank accounts.⁴

Helping SMEs

99% of all British businesses are SMEs – including 70,000 social enterprises that balance financial returns with environmental and social benefits.⁵

Helping home buyers

First-time buyers currently have to save almost 80% of their annual income to afford the deposit on a home.⁶

⁴ Source – *The Guardian*, 21 February 2013

⁵ Source – UK Government data

⁶ Simon Abrams/EY

Part Two

Our performance as a responsible business in 2013

*We report against our five Responsible Business pillars. Doing this provides a comprehensive overview of our performance year-on-year – including our progress towards our *Helping Britain Prosper* Plan commitments and other business critical factors, including our environmental footprint, colleagues' health and safety and our relationships with external stakeholders.*

We report in this way to ensure that all aspects of our non-financial performance are addressed and because the five pillars are integral to our strategy to be the best bank for customers.



*We put customers
at the heart of our
business*



22

*We aim to be a
great company to
work for*



32

*We invest in communities
to help them prosper
and grow*



42

*We work continually to
reduce environmental
impacts*



50

*We work responsibly
with our external
stakeholders*



60



Putting customers at the heart of our business

We want to be the best bank for customers: offering them simple, tailored products and great service; helping them and their communities to prosper.

We know our past mistakes have eroded trust in our brands and the banking sector, so we're working hard to restore customers' confidence. This won't happen overnight. It will take time and many small, incremental improvements – because ultimately we earn customers' trust at a local, personal level.

We've achieved a huge amount this year, accelerating our re-building process by improving our products and services to make them more relevant to customers' lives – particularly home buyers and business owners. We've made our brands more inclusive – easier for those on low incomes and those with disabilities to access – and as more customers bank with us via digital channels, we've introduced new security features.

There's more to be done, but we're moving in the right direction by staying true to our values: putting customers at the heart of everything we do, keeping it simple and making a difference together.

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Our achievements in 2013

- Support for 120,000 SME start-ups, which means we've now helped 470,000 businesses in four years
- A 6 per cent year-on-year net increase in loans to SMEs compared with a net reduction of 3% across our industry
- Exceeded our commitment to lend £6.5 billion to 60,000 first-time buyers: by lending over £9.7 billion to 81,000 first-time buyers
- Kept it simple for customers by using mobile and voice recognition technologies to guide them to the right services when they contact us
- The best customer satisfaction ratings our high street brands have ever achieved

Our priorities in 2014

- Make sure that all our colleague reward structures take customer service standards into account
- Support over 80,000 first-time home buyers to get on the property ladder
- Help customers secure new-build mortgages
- Continue to support SMEs through lending and deliver net lending growth of more than £1 billion
- Help at least 100,000 SME start-ups
- Increase our new lending support to UK manufacturing businesses by £1 billion
- Reduce customer banking complaints to 0.9 per 1,000 accounts or less and learn from every complaint we receive
- Improve our systems, processes and products to keep it simple for customers
- Work hard to meet the pledges in our Commercial Finance, SME and Mid-corporate charters
- Help customers to plan for later life through company pension schemes
- Help 45,000 customers post-retirement through providing a continuing annuity income
- Support one in four social banking accounts

The challenges ahead

Customers will choose our brands and trust them if we provide the things that really matter to them:

- Products and services that make a positive difference to the quality of their lives
- Being easy to reach and supportive whenever they need us – in branches, on the telephone and online
- Helping them in the tough times as well as the good times

What the Helping Britain Prosper Plan means for our customers

The Helping Britain Prosper Plan sets out the ways in which we can do most to support our personal and business customers. It commits us to:

- Get more customers on the housing ladder – and more customers climbing up it
- Helping our customers plan and save for later life
- Take a lead in financial inclusion to enable all individuals to access, and benefit from, the products and services they need to make the most of their money
- Help businesses to start up and scale up, and procure responsibly
- Help businesses and individuals succeed with expert mentoring and training

You can read more about the Helping Britain Prosper Plan commitments on pages 12–19.



'Being the best bank for customers means offering simple, relevant products to people at all levels of society across Britain. Not just those enjoying relative prosperity; but also those facing financial difficulties, coping with disabilities, striving to buy their first home or find their first job. To be the best we must help all of our customers.'

António Horta-Osório, Group Chief Executive

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Our Conduct Strategy

Our strategy is about putting the customer at the heart of everything we do, to ensure we deliver consistently fair outcomes for customers, and as a result can deliver sustainable growth for the Group. It is a crucial element in our drive to become the best bank for customers, and is underpinned by our values and Codes of Responsibility.

We recognised the need to learn from the past, because when we have got it wrong for customers – through our products, our processes or our management of complaints – it is costly and damaging to our reputation. We carried out Root Cause Analysis of issues such as PPI to direct and drive our approach to avoid similar issues in the future. The main themes which we identified in our Root Cause Analysis have been key inputs into our Conduct Strategy

During 2013, we've introduced our strategy across the Group to mitigate risks relating to conduct, driving a number of crucial changes:

- An enhanced approach to business and strategic planning that puts customers first
- A Groupwide cultural transformation process, linked to our values and Codes of Responsibility, to ensure we meet our obligations as the best bank for customers
- Improved governance of products and sales/post-sales processes to ensure we achieve consistently fair outcomes for customers
- Ongoing improvements to become and remain the industry leader in the way we deal with and work to reduce customer complaints

We will continually measure our performance across every element of our Conduct Strategy, to drive better outcomes for customers.

The Conduct Strategy underpins many of the performance improvements reported in the Putting customers at the heart of our business section of this report and will drive further positive change for customers in future.

Supporting our customers

We currently serve around 30 million personal and business customers. We want to be best bank for them all: providing products that make a positive difference and setting the best service standards.

Supporting home buyers

A home isn't just a home, it's also a financial asset – and for many of our customers, buying a property is the biggest financial commitment they ever make. So, we want to help them get it right and widen the opportunity to buy. In 2013 we advanced over £9.7 billion in new mortgage lending to help more than 81,000 first-time buyers get on the property ladder – exceeding our public lending commitments by 50 per cent and 35 per cent respectively. We approved one in four of all new first-time buyer mortgage loans completed in the UK in 2013. Altogether, we advanced £22.3 billion in new mortgage lending to all customers buying homes, an increase of 37 per cent on 2012.

Supporting funding schemes

We were the first British bank to participate in the Funding for Lending Scheme. Since its launch in mid-2012 we've committed more than £37 billion to help customers, including lending to businesses and mortgages for our personal customers.

Through our Halifax brand, we've provided one in three of all mortgages completed through the UK Government's NewBuy scheme to support purchases of new-build properties. Halifax and Bank of Scotland are participating in a similar new-build purchase scheme, M1 New Homes, launched by the Scottish Government.

We've helped customers, particularly first-time buyers, who can only afford small deposits, through Lloyds innovative Lend a Hand and Local Lend a Hand mortgage schemes. We'll accept deposits as low as 5 per cent if these are backed up by a family member or friend's savings (in the case of Lend a Hand) or secured by a Local Authority indemnity (through Local Lend a Hand).

We are a leading supporter of the UK Government's Help-to-Buy scheme. Lloyds Banking Group was the first lender to launch mortgage products on 1 April 2013 in support of the equity loan element of the scheme. We were the first lender to commit publicly to the mortgage guarantee element of the scheme and, in October, our Halifax and Bank of Scotland brands launched a new range of Help-to-Buy mortgage products allowing first-time buyers and home movers to access a mortgage with a 5 per cent deposit. Lloyds Banking Group accounted for approximately 60 per cent of new mortgage lending on Help-to-Buy products under both elements of the scheme in 2013.

In January 2014, we launched new Help-to-Buy mortgage products through our Lloyds Bank brand.

Supporting savers

It may not be the easiest time to save, but we encourage our customers to set money aside regularly if they can afford to do so. A report published by Scottish Widows in 2013 suggests we're making slow but steady progress in convincing customers that it still pays to save.

Our retail brands offer competitive savings products, tailored to meet specific needs and incentives such as the Halifax Savers Prize draw, in which 1 million customers participated, have proved very popular. Our ISA Promise, which rewards customers who switch to Halifax, has been well received and so have our Junior ISAs and other children's saving accounts.

Highlighting pensions and savings issues

A number of reports issued this year by Scottish Widows, including ones focused on workplace and personal pensions, families and women, all highlight that saving for retirement is at an all time low. These reports help us to make our customers aware of the financial issues they may face in future; they also support our work with the UK Government and other partners to help address these issues for the benefit of our current and future customers. You can read more about our work with the UK Government on page 62.

Helping new businesses

We pledged to help 100,000 new businesses start up in 2013 and beat our target by helping 120,000 in total.



Supporting Britain's businesses

We currently serve hundreds of thousands of business customers. Helping them to survive and thrive through bad and good times is essential in order to help Britain prosper. SMEs and mid-Markets businesses are the life-blood of the British economy so we focus our attention on their needs, although we also serve many larger businesses and organisations.

Supporting SMEs

This year we've increased lending to SMEs by 6 per cent compared with 2012 (despite an industry-wide reduction in funding of 3 per cent) and helped 120,000 new SMEs to get up and running. We've greatly simplified the lending process and reduced the time it takes SMEs to secure funds. This year we approved eight out of ten business loan and overdraft requests, comparable with pre-2008 levels.

We have committed to deliver £1 billion of new net lending to SMEs in 2014.

Making a difference together

In addition to the Funding for Lending Scheme, we're participating in several other joint schemes designed to help businesses access finance. These include the Enterprise Finance Guarantee Scheme (EFG), through which we've offered almost 6,000 loans to customers, worth a total of £480 million – accounting for 25 per cent of all EFG loans to date. We're also providing £100 million to SMEs through the Regional Growth Fund and made significant investments in the Business Growth Fund, Scottish Investment Bank and Big Society Capital.

Exceeding our SME commitments

We launched our SME charter in 2010, pledging to support 300,000 new SMEs by the end of 2012. In fact, we beat this target – helping 350,000 SMEs. We pledged to help a further 100,000 new businesses start up in 2013 and, once again, beat our target, by supporting 120,000 new businesses.

We've also met our pledge to respond to 90 per cent of lending appeals within 15 working days (rather than the industry standard of 30 working days).

Mentoring SMEs

In addition to loans, we also offer SMEs practical advice and professional mentoring. A free online service, offered by 'mentorsme' enables businesses to find local independent mentoring organisations that suit their specific business needs. The Group has 420 trained mentors across the UK available to businesses free of charge. The Group also partner several mentoring initiatives to support SMEs including the Enterprise Diversity Alliance, young enterprise through the Enterprise Awards and social enterprise through work with Business in the Community and the School of Social Entrepreneurs. This year, we ran over 380 business seminars on a range of topics relevant to SMEs, beating our charter commitment of 200 events.

Help with pensions

Following the introduction of automatic enrolment, employers are now required by law to enrol all eligible employees in a workplace pension scheme. This year, Scottish Widows has worked with advisers and employers on auto-enrolment schemes and is continuing to develop its proposition to provide appropriate support. Our workplace savings proposition enables employers to choose the best solution for their business – utilising our auto-enrolment solution, AssistMe, or choosing to use alternative third party software. In December 2013 we launched a dedicated team of auto-enrolment specialists who support employers through their staging process and we continue to evolve our technology and processes to help address capacity concerns for the SME market.

Highlighting the risks SMEs face

The Big Issues for Small Businesses report, published by Lloyds TSB Insurance in 2013, explains that Britain's small businesses face a potential annual loss in revenue totalling £1.4 billion because they fail to safeguard against a range of business threats, including theft and vandalism. New research from Scottish Widows also published this year highlighted the dangers to businesses of losing key personnel due to illness or death. Reports of this kind are an effective way to engage with SME customers around issues that they may not fully understand.

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Encouraging enterprise and manufacturing

For the second consecutive year, we've run the Lloyds TSB Enterprise Awards, inviting entries from British businesses that are run by university students or recent graduates. This year 484 businesses entered and 28 were awarded cash prizes or mentoring support following their success in the regional and national finals. We'll be hosting the Awards again in 2014.

In 2012 we made our Manufacturing Commitment to provide £1 billion of new lending to SMEs and mid-sized manufacturers by September 2013. We reached this target three months early and by September 2013 we were 30 per cent above this target.

The Lloyds Advanced Manufacturing Training Centre

We've launched a £1 million-a-year sponsorship of the Lloyds Advanced Manufacturing Training Centre at the Manufacturing Technology Centre, Coventry. The centre will help address Britain's manufacturing skills gap by supporting more than 1,000 engineering apprentices and trainees during the initial Lloyds Banking Group partnership. Building work on the centre will start in 2014 and it is set to open in 2015.

Helping businesses reduce their carbon footprints

As a potential source of funds and support for low carbon businesses, we can contribute towards the UK Government's target of meeting 15 per cent of Britain's energy demand from renewable sources by 2020. We're working with government and other external stakeholders to help in this transition.

You can read more about how we're supporting the green economy on page 55.

Our Food and Agriculture Business Executive

In 2012 we established our Food and Agriculture Business Executive, bringing together senior colleagues from SME Banking, Commercial Banking and our Global Corporate Business Function to help us improve the quality of our products, services and advice for business customers involved in food supply chains. The Executive is focused on understanding how food supply chains are evolving, so that we can take a more integrated approach in the way we help customers.

We're already seeing how this integrated approach can work for different customers working the same supply chain. A great example is the help we've provided for one of Britain's leading supermarket retailers, its beef supplier and its beef farmers. Based on our confidence in the enduring strength of the relationship between the supermarket retailer and the supplier, we've provided finance that has enabled the supplier to buy livestock for its farmers, enabling them to produce a better product in greater quantities and ultimately strengthening profitability and resilience through the entire supply chain.

Being more inclusive for our customers

We want to help all our customers access the right services. Not just those enjoying relative prosperity; but also those facing financial difficulties, coping with disabilities or ill health, striving to buy their first home or find their first job, running a business in tough times or battling extreme weather conditions.

Our Financial Inclusion Steering Group

We've made steady progress on our financial inclusion goals over the past couple of years, but we want to achieve even better results in the future. To help us become much more integrated in the way we serve customers at risk of financial exclusion or those who are financially included but need support to get the best from their banking relationship, early in 2013 we set up a Financial Inclusion Steering Group. Chaired by Sara Weller, a Lloyds Banking Group non-executive director, the Group brings together colleagues from all areas of the business to provide a single point of focus for financial inclusion.

How the Helping Britain Prosper Plan will make us more inclusive for customers

We're doing even more to champion financial inclusion for all of our customers. Our Helping Britain Prosper Plan metrics include:

- ▷ Provide £1 million of additional funding to support Credit Unions per year
- ▷ 1,830 community support workers accredited to deliver financial education on the frontline
- ▷ Maintain a category gold award with the Business Disability Forum by achieving a high score across the ten areas that lead to a disability-confident organisation
- ▷ Support one in four social banking accounts

You can read more about the Helping Britain Prosper Plan commitments on pages 12–19.

Britain's leading provider of basic bank accounts

This year we provided over 280,000 new basic bank accounts and helped over 110,000 customers upgrade from basic to more mainstream accounts. We know from experience that opening a basic account is often our first step in helping customers who are financially excluded to manage their money more effectively.

Supporting customers in low income areas

Financial exclusion is most prevalent in areas of Britain where many people currently live on low incomes. We know it's important to make our products and services accessible to people and businesses in low income areas.

At the end of 2013, we had more than 22,000 active small business customers in low income areas across Britain and we increased our loan facility for business customers in these areas from £524 million in December 2012 to £633 million.

We have pledged not to remove an ATM where it is the last in town.

Helping ex-offenders to make a fresh start

Together with the National Offender Management Service, we offer more basic banking facilities to recent offenders and prisoners preparing for release than any of our competitors. Basic accounts allow people in this situation to receive income payments, pay bills and purchase goods as they try to re-integrate back into society.

Helping more customers access affordable credit

This year, we've issued 60,000 credit cards to help customers who have a very limited credit history acquire more affordable flexible credit facilities. These cards also help customers take the first step towards acquiring more mainstream products in future. They are an important part of our efforts to make our products more financially inclusive and provide an affordable option to customers who might otherwise be forced to seek credit at exorbitant rates of interest elsewhere.

Helping customers in financial difficulty

Although there are signs that the British economy is growing, many of our customers are still feeling the negative impacts of the longest recession in living memory. Our Credit Operations team tailors solutions for customers in financial difficulty to help them get their finances back on track. This year, the team completed 5.5 million customer conversations, using their expertise to achieve the best possible outcomes.

Credit Operations also contains a smaller specialist team of some 170 experts, who help customers before they fall into arrears and also provide much needed support to vulnerable customers. This year, the team offered support and advice to around 500,000 customers, using their expertise to help them get back on their feet. Even when customers do fall significantly into arrears with their mortgage payments and face litigation, we manage to avoid re-possession in 76 per cent of all cases.

Providing financial education training

Through our Money for Life programme, we provide financial education and money management training to young people and adults in further education, work-based learning or community learning. We've invested £8 million in the award-winning programme since its launch in 2009. We also run the Money for Life Challenge to empower teams of young people to develop innovative money management schemes in their communities. You can read about Money for Life in more detail on page 44 of this report.

Battling the elements

Throughout 2013, we went the extra mile to help insurance customers affected by floods, high winds and, in one instance, a tornado. The Home Insurance team deployed rapid response units to the worst affected areas, so that customer claims could be assessed quickly and funds released to complete vital repairs. Following the major storm that hit Britain in October, colleagues successfully handled more than 1,700 claims in a single day, ten times above normal business levels. In 2013, we helped over 215,000 customers get their lives back on track by resolving their claims, including 38,000 escape of water claims, 35,000 storm claims, 25,000 theft claims and 3,500 fire claims.

Help for farmers in tough times

We provide specialist support and advice for British agriculture through the Agricultural Mortgage Corporation, Lloyds Bank and Bank of Scotland, currently providing around 35 pence of every pound loaned to farmers. This year and in previous years, we've increased lending to agricultural businesses, primarily SMEs, above the national average. In 2013, we achieved a 16 per cent increase, providing new loans worth a total of £438 million, including £21 million to support small-scale energy projects. You can read more about these projects in the Environment section on page 50.

Between autumn 2012 and spring 2013 many of Britain's farmers, particularly those in upland areas, faced some of the harshest weather conditions for 50 years or more. As they struggled to plant crops or rear livestock through periods of heavy rain and then prolonged heavy snow, colleagues in our specialist teams were on hand to help them find breathing space and affordable financial solutions to the immediate and longer-term problems caused by the extreme weather.

Encouraging driving safety

Through Lex Autolease, we support Britain's drivers by publishing advice about how to drive safely in summer and winter, complete with tips on improving fuel economy by adjusting driving habits. Lex Autolease also offers a range of safety-relevant products, including winter tyres, designed to help customers reduce the risks associated with driving.

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Helping customers with disabilities

To be the best bank for customers, our products and services need to be accessible to everyone, including people with disabilities. This isn't a new issue for us: we set up a Disability Services Support team in 2012 and that same year became the first bank to introduce a British Sign Language video service for customers with hearing impairments, allowing them to contact us via video link with support from a sign language interpreter. The success of this innovative service was recognised in 2013 when we were shortlisted in the Organisational Achievement category of the Signature Awards, which highlight 'excellence in communication with deaf people'.

This year, we've introduced 'talking ATMs' to help customers who are visually or hearing impaired. They simply plug headphones into ATMs and the machines talk them through their options. We are planning rolling these talking ATMs out to all our branches in time. We've also made the Lloyds Bank customer website more accessible to customers with a range of disabilities, including visual impairments and dyslexia. The Halifax and Bank of Scotland websites will also be updated during 2014 to improve accessibility.

Thanks to colleagues across the Group, who participated in a Disability Innovation Challenge we launched in May 2013, we're also exploring the potential of around 300 bright ideas about other ways in which we could help customers with disabilities in the future.

Leading our industry to help customers with dementia

With more people in Britain living longer than ever before, age-related dementia is becoming an increasingly pressing challenge for us all. Dementia impacts on all aspects of society, including our customers and colleagues, who together, nominated the Alzheimer's Society and Alzheimer Scotland as our Charity of the Year from 2012 to 2014.

This year we've worked with the Alzheimer's Society to create their Dementia-Friendly Financial Services Charter – a landmark guide for banks and insurers, designed to help them recognise, understand and respond to the needs of customers living with dementia and their carers. We co-launched the Charter with the Alzheimer's Society on 30 October 2013. We led a steering group of 24 other financial services organisations, which have also committed to improve dementia-awareness amongst their employees. We also worked hard to secure support for the new charter from the British Bankers' Association, Building Societies Association and Association of British Insurers.

We support the aims of the Charter in full and have already started to implement some of its recommendations, including the creation of 'Dementia Friends' in branches. We've developed a training programme to help colleagues understand how they can help customers with dementia. Over the past few months we've rolled this training out to around 25,000 colleagues.

Our Group Chief Executive, António Horta-Osório, has stressed just how important this issue is for us: 'We aim to help make day-to-day life easier for people with dementia and their carers. Not only will this help us further deliver upon our commitment to better serve the needs of our customers, it also helps us deliver our promise of helping our communities and Britain prosper.'

Helping customers in ill health

Across the Group, colleagues have been carefully trained to help customers in vulnerable situations, including those with learning difficulties, mental health problems or serious illnesses. All of these customers' accounts are ring-fenced and managed with kindness and consideration by the appropriate 'expert' colleague or team. At present, around 3,500 customers are being helped in this way.

Improving the quality of our products and services

We need to keep pace with customers' changing needs by providing simple, transparent products and services that make a positive difference for them. We know from experience that improving customer satisfaction is also the very best way to reduce customer complaints and build trust in our brands.

Simplifying our products and services

We've improved the way we use mobile interfaces and voice recognition technologies to make it easier for customers to reach us quickly and navigate to the right choices with minimum effort and absolute security. We've increased the number of customers using our traditional online services and mobile banking to over 10 million.

We've also simplified our telephone banking services this year, making it easier for colleagues to access customers' information rapidly and action their requests quickly. As a result, we've reduced average call times by up to three minutes. We've improved our service for general insurance customers – assigning a dedicated adviser to every claim. To date, 130,000 claims have been handled this way, delivering a 40 per cent reduction in follow-up calls and, on average, 30 per cent faster settlement times.

Helping our customers to make more of the Internet

As founding partners of Go ON UK, a nationwide campaign to improve digital understanding for individuals and businesses, we're helping customers, colleagues and communities make more of the Internet. During 2013, we've launched new online tools, sponsored the national digital conference ND13 and run a number of support seminars for SMEs. We've invested more than £1 million since 2012 to support Go ON UK's ambition to make Britain the world's leading digital nation, with a further £1 million pledged for 2014 – the year in which Go ON UK hopes to create the first digital maturity index for Britain's SMEs.

Imagining the branch of the future

We need to evolve the branch experience for customers as their needs change over time. To help us do this, our Group Property team is working together with our Retail Footprint team to consider how our branches may need to evolve in future. The concepts they've originated in 2013 will form the basis for a number of pilot projects, which should be launched in 2014.

Tracking our brand and reputation

We use the 'Net Promoter Score' (NPS) to track the reputation of our brands and overall customer satisfaction. NPS is a standard business metric based on the likelihood of customers recommending a brand to others. In December 2013 our high street brands achieved an improved aggregate score of 55 per cent compared with 49 per cent in December 2012.

Building our brands in 2013

In September 2013, we launched two strong banks – TSB and Lloyds Bank. Lloyds TSB was revitalised and rebranded as Lloyds Bank across 1,300 high street branches, marking another milestone in its 250-year history. TSB launched across 631 branches creating a new competitor and challenger brand in the market. Commenting on the launch, Chief Executive António Horta-Osório said 'These changes reinforce our commitment to better serve our customers as well as delivering a stronger and more competitive banking industry in the UK.' The creation of the two brands follows a ruling by the European Commission in 2009. The eventual flotation of TSB will strengthen competition in our sector.

Upgrading Halifax

In 2013 we also upgraded and refurbished 440 Halifax branches and opened a new Halifax branch in Aberdeen, bringing our challenger brand to Scotland for the first time. We plan to open two further Halifax branches in Scotland in 2014.

During 2013, all the upgrades and refurbishment works to our retail branches were delivered through our One Construction Alliance, a strategic partnership including five contractors and one professional services provider. This approach has improved the way we maintain and improve our property network. You can read more about it on page 66.

Helping our insurance customers to be risk-aware

To help customers understand a number of day-to-day risks to their health and property, we regularly commission research and publish reports. For example, our inaugural Halifax Digital Home Index highlights a household insurance black hole of up to £32 billion. During 2013, we've also published several other reports, including 'Digital Dummies' – assessing the security risks associated with mobile phone use – and 'Disrepair Britain', focused on under-investment in home maintenance. The reports are popular with customers and help to build trust in our brand. We plan to publish more in future.

Treating customers fairly

If we want to build customer trust it's vital that we treat them fairly. So, we check regularly to ensure we're working in accordance with our customer treatment policies. Fairness starts with the products we offer, so we have governance and risk assessment processes in place to ensure we get new products right for our customers. We also routinely review our existing products as well. We apply rigorous criteria to our sales activities to help our customers achieve the right outcomes. We also monitor our after-sales performance to ensure we continue to deliver the best products for all customers. Above all, we listen and learn from what customers tell us – in fact, this year we spoke with 50,000 customers every month about a range of product and services issues.

Tracking our brands

In December 2013, our high street brands achieved an improved aggregate score of 55 per cent.



PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Reducing customer complaints

Our overall customer complaints have fallen year-on-year, with a 36 per cent reduction in complaints, including PPI. We now receive fewer banking complaints per 1,000 accounts than any other high street bank in Britain and we're determined to reduce this level even further by learning from past mistakes and changing our culture to make sure customers' interests always come first.

Customer banking complaints in 2013*



*Excluding PPI

In 2013, the Group received 1.0 banking complaint per 1,000 accounts (Halifax: 0.8, Lloyds TSB: 1.1, Bank of Scotland 0.9). This equates to a reduction of 33 per cent compared with the second half of 2011, when the Group figure was 1.5 complaints per 1,000 accounts. We aim to reduce this further to 0.9 in 2014.

Dealing with complaints more effectively

We've worked hard to improve the way we deal with customer complaints. We've invested in our successful phone-a-friend service, providing 40,000 of our branch and call centre colleagues with instant access to a dedicated team that provides specialist advice to help them achieve a positive outcome for customers. And we've led the way in our industry, becoming the first bank to roll-out an externally accredited complaint handling qualification for all colleagues who help customers with complaints. We now resolve more than 90 per cent of all complaints at first contact and faster than ever before thanks to our 24-hours-a-day, 7-days-a-week complaints handling service.

Getting to the root of the problem

This year our Root Cause Analysis team has carried out detailed analysis of the reasons why customers complain. The team has contributed to a monthly reduction of 1,555 complaints by talking with customers and colleagues, then making the appropriate changes to the way we work.

A good example of the value the team adds is the overdraft calculator that Lloyds Bank introduced during 2013. Root Cause Analysis established that customers would benefit from help in assessing the potential costs of borrowing through their overdraft facility. Acting on this insight we developed and rolled out a tool which enables customers to estimate their probable monthly spending and estimate the cost of any planned or unplanned borrowing through an overdraft. The tool has eliminated around 200 overdraft-related customer complaints every month since it was introduced.

Shifting from avoidance to achievement

The best way to reduce complaints is to avoid them in the first place by improving our customer service standards. This is why we take steps to address customer service, customer satisfaction and customer complaints, holistically.

We've made quite a big change in the way we define, measure, incentivise and reward colleagues in relation to customer satisfaction this year – moving away from a focus on 'making the sale' towards a focus on improving service and achieving positive outcomes for customers. We believe that customer complaints will reduce further as a consequence of this shift.

Becoming more customer focused

All customer-facing colleagues – managers and their teams – have now been trained to measure their performance in terms of positive customer outcomes. It's by no means an easy transition, but many colleagues have welcomed the shift to a more customer-centric way of working and judging their own achievements. Based on the results of our 2013 Colleague Engagement Survey, we believe that a majority of them feel proud to be part of a bank that now endeavours to reflect and support customers' lives, with less emphasis on specific sales targets.

A Quality Assurance team monitors colleagues working as telephone advisers in our Credit Operations team to ensure they meet our high performance standards. Colleagues complete side-by-side coaching and quality checks, in line with our own Codes and external compliance requirements. Their reward schemes are designed with the customer in mind, incentivising an outcome-focused approach. In 2013, an independent team

found that Credit Operations achieved fair outcomes for our customers 98 per cent of the time.

Dealing with legacy issues

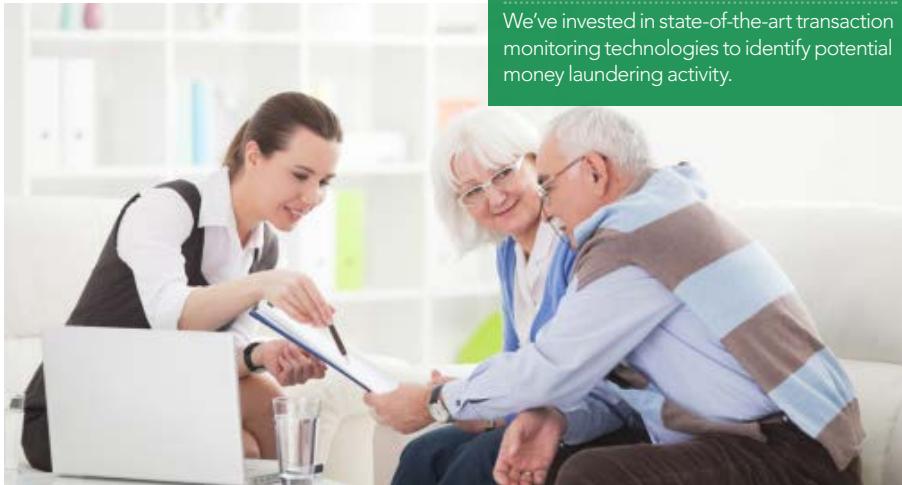
We still have some legacy issues, including the mis-selling of PPI, to deal with; and we fully acknowledge that these are still a cause for concern amongst many customers and stakeholders. We were the first bank to offer redress to customers who were mis-sold PPI products and we're continuing to deal with every outstanding complaint to ensure a fair outcome for those affected. Just as importantly, our Conduct Strategy is designed to prevent these mistakes happening again, by enabling us to become a better run and more effectively governed bank. The fines imposed on the Group by the FCA in December 2013 for failings in controls over sales incentive schemes are a stark reminder to us all of the need for positive cultural change.

Protecting our customers' best interests

Our customers need to be sure that their money and personal details are safe with us. Making sure this is always the case isn't easy because as one of Britain's largest financial businesses we face hundreds, sometimes thousands, of cyber-threats every day. This is why we consistently invest in technology and colleague training to maximise security.

Combating cyber-crime

Since 2011, we've now invested £248 million to improve the security of our IT infrastructure, including £138 million this year, in the latest control and protection technologies. We have more than 10.5 million customers now using our digital services, including 4 million mobile banking users.



Protecting our customers

We've invested in state-of-the-art transaction monitoring technologies to identify potential money laundering activity.

Most of the work we do is invisible to customers, but it has contributed to a downwards trend in levels of fraud across our online retail channels in 2013. We also help our customers to protect themselves, by providing advice on our digital interfaces.

Security training for colleagues

We make sure that all colleagues working in the digital space are appropriately trained to maximise security and protect customers' interests. We have clear policies in place governing the performance standards required from colleagues and provide them with on-demand training as required. In 2012 we ran a month-long Cyber Threat Education and Awareness campaign through the Group Intranet, which attracted 250,000 visits from colleagues. We've now launched a Groupwide hub 'Prevent and Protect', which provides a wealth of current information to help colleagues stay aware of the threats we face and take appropriate action. The hub receives around 8,000 visits a month. Our Group Security and Fraud team has also supported national fraud awareness campaigns this year.

Combating financial crime and money laundering

To maintain customers' confidence in our business and in the financial system as a whole, we have to ensure that we don't do business with individuals or organisations linked to fraud or financial crime. We work closely with legislators and regulators in order to ensure we comply with all requirements related to financial crime.

We can identify unusual activity related to customers' accounts and have processes in place to check their identities. We've invested in state-of-the-art transaction monitoring technologies in order to identify potential money laundering activity, and we've significantly enhanced our anti-money laundering controls by developing our Groupwide Global Anti-Money Laundering Programme. During 2013, colleagues completed training appropriate to their roles in support of our Anti-Money Laundering Policy. We've also refreshed our Groupwide Fraud Prevention training module, rolling out an interactive version for colleagues.

This year, our Whistleblowing service (a confidential service for colleagues who are worried about possible wrong-doing that may affect colleagues, customers or the Group) recorded 443 new contacts compared with 532 last year. Some 53 per cent of colleague contacts were reviewed, investigated and resolved appropriately. Guidance was given directly to the remaining 47 per cent of colleagues about how best to raise their concerns through other, more appropriate routes. We're working closely with the independent charity Public Concern at Work to ensure that our approach and systems continue to work effectively.

Ensuring business as usual

Our branches, offices and contact centres all rely on mains supply electricity. If this supply is interrupted because of extreme weather conditions or for any other reason, our ability to operate as normal could be compromised. To reduce the risk of this happening, our Group Property team completed more than 56 building resilience projects and other critical facilities projects during 2013, including power infrastructure upgrades and uninterruptible power supply (UPS) replacements. We ensure that risk management and resilience awareness is embedded throughout the supply chain – for example in 2013 we delivered virtual training to our One Construction Alliance partners and suppliers on risk management, health and safety and energy. You can read more about One Construction Alliance on page 66.

Reflecting our customers' ethical concerns

Ethically minded customers have challenged us to become better stewards of the companies in which we invest through Scottish Widows. To this end, a dedicated team engages with companies on a range of issues, including directors' pay, environmental risks and ethical considerations. In 2012, our investment businesses made a commitment to withdraw their support for businesses involved in the manufacture or sale of cluster munitions and landmines. Throughout 2013, we've monitored our performance carefully in relation to this decision to make sure we're living up to our commitment.



Building a company that's great to work for

We want colleagues to live our values because they share them; to work in line with our Codes of Responsibility because they recognise their relevance; to feel pride in their contributions to a customer-focused business that's also a force for good in their communities.

We know that pride in the banking sector is low. We also know that changing our working culture to become more customer focused will require effort and flexibility from colleagues. But we've made big strides in 2013.

We've completed the first assessment phase of our Groupwide culture change programme, and embedded responsible business principles into our performance and reward structures. We've worked hard to become a more diverse and inclusive business, and improved the training and development resources available to colleagues. This year's Colleague Engagement Survey results are our best to date, showing improved pride in the Group.

BUILDING A COMPANY THAT'S GREAT TO WORK FOR

Our achievements in 2013

- Launched the Agile Future Forum, chaired by our Chairman, Sir Winfried 'Win' Bischoff – highlighting the benefits of agile working for businesses in the 21st century
- Offered 1,000 apprenticeship places to young people, building on the success of our 2012 National Apprenticeship pilot
- 51,325 customer-facing colleagues attained the Foundation Standard for Professional Bankers – the highest of any bank in Britain
- Invested in new technology platform and content to enhance colleague development opportunities
- Increased the percentage of women on our Board to 27%

Our priorities in 2014

- Build colleagues' pride and trust in our Group
- Help colleagues fulfil their potential through relevant learning and development
- Do even more to build a diverse workforce and inclusive workplace
- Reach our objective of having 29 per cent of our senior roles (top 8,000) held by women
- Increase the engagement levels of ethnic minority, disabled and LGBT colleagues in all roles
- Put customers at the heart of our performance and reward structures
- Nurturing the next generation of leaders, strengthening our succession and talent pipeline
- To reach our target to train 1,000 colleagues to mentor SMEs and social entrepreneurs through the Business Finance Taskforce accredited scheme and the Lloyds Bank and Bank of Scotland Social Entrepreneurs programme

The challenges ahead

To re-build colleagues' pride in our brands and the banking sector we need to show them that:

- Putting customers first makes work more rewarding for them too
- They can fulfil their potential with the Group whatever their background or physical abilities
- We need them all to help us build the best workforce in British banking

What the Helping Britain Prosper Plan means for our colleagues

The Helping Britain Prosper Plan sets out ways in which we can support colleagues to do the very best in a business they're proud to work for, and enable them to help the communities in which they work and in many cases also live. The Plan focuses on:

- Helping businesses and individuals succeed with expert mentoring and training
- Bringing communities together to help them thrive
- Better representing the diversity of our customer base and our communities at all levels of the Group

You can read more about the Helping Britain Prosper Plan on pages 12–19.



'Our colleagues are key to us being the best bank for customers and we are focusing on enabling all of them to do that'

Rupert McNeil, Group HR Director

BUILDING A COMPANY THAT'S GREAT TO WORK FOR

Engaging colleagues with our values and Codes of Responsibility

To help us establish ourselves as the best bank for customers, and to enable colleagues be the best they can in a business they're proud to work for, we ask them to work in line with our three values: putting customers first, keeping it simple and making a difference together.

We're clear what these values mean in practice:

- ▷ *Putting customers first* – is all about thinking about the customer first in everything we do, understanding and anticipating their needs. It means delivering on our promises to them every time and taking ownership for getting things right
- ▷ *Keeping it simple* – means being easy to understand and do business with; so we never stop looking for ways to simplify things we do and work hard to get them right first time, every time
- ▷ *Making a difference together* – involves working together for each other, customers and our communities, responsibly and fairly

Our decision to reward colleagues on the basis of customer service rather than sales sends out a clear signal to all that we see customer satisfaction, along with our contribution to Britain's households, businesses and communities, as the key driver for our future success.

Our Codes of Responsibility

We launched our Code of Business Responsibility and our Code of Personal Responsibility in 2012. These two Codes underpin our Group Values and Ethics Policy and set out clear guidelines for responsible behaviour across our business. They cover the full range of our business activities, our relationships with customers, colleagues, communities and external stakeholders, as well as our environmental responsibilities.

The Codes provide practical guidance for colleagues (and increasingly suppliers). They explain what our stakeholders expect from us and what colleagues can expect of each other. They define the standards we require, collectively and individually, explaining how all colleagues can live our Group values at work. We review both Codes every year and update them as necessary to reflect internal and external factors.

You can read more about our Codes of Responsibility on page 69.

Embedding our values in 2013

Values are hollow words, unless colleagues understand them, buy into them and live them in their daily working lives. Our Codes of Responsibility provide guidance about how to do this. In 2013, around 97 per cent of colleagues completed training to help them understand the Codes, but we know that this training will not produce an overnight transformation. Achieving lasting change in colleagues' behaviour will require careful planning, patience and a truly nuanced understanding of where we are right now.

To help us take stock, we've completed the first phase of a Groupwide cultural assessment this year. This involved analysis of quantitative and qualitative data from a range of sources, including our Colleague Engagement Survey, Senior Leadership 360 feedback, colleague training and diversity and inclusion statistics, plus more than 200 internal communication pieces, all related to the way we communicate our values across the Group. This exercise has confirmed that:

- ▷ The overwhelming majority of colleagues know what our values are
- ▷ We need more data to understand how they influence workplace behaviour
- ▷ Putting customers first presents different challenges in different parts of the Group
- ▷ Many colleagues in managerial positions are being asked to change others and change themselves simultaneously

Building on our cultural assessment

The next phase of the assessment process, set to start in 2014, will address a number of key questions. For example, do colleagues feel ownership of our values? Do they 'live' them at work and if not, what prevents them from doing so? We involve all of our 90,000 colleagues in this second phase, so it's highly likely that answers to these and other questions will vary considerably across the Group.

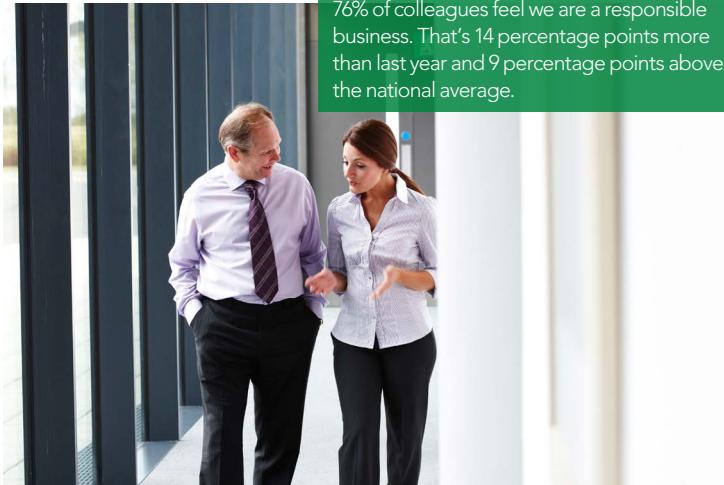
What then? The lessons learnt through our cultural assessment work will help us to become more customer-focused. In the longer term, it will inform our plans to embed further our customer-centric behaviours and processes across the Group, including the way we recruit people, support their learning and development, manage their performance and reward and incentivise them. Ultimately, putting customers first is central to our continuous dialogue with all colleagues.

Learning from our colleagues

If we want colleagues to give their best, it's important that we involve them in our future. To do this, we have to understand what they think and how they feel. We talk with our colleagues in lots of different ways, including forums, focus groups, internal blogs, and 'Back to the floor' activities that bring senior leaders together with branch colleagues. Our Group chief executive, António Horta-Osório, also visits branches regularly, to talk directly to colleagues and customers.

Engaging our colleagues

76% of colleagues feel we are a responsible business. That's 14 percentage points more than last year and 9 percentage points above the national average.



Our Colleague Survey*

We run a Colleague Survey every year, which provides a wealth of information for line managers and our senior leadership team. In 2013, we achieved our highest response rate to date, with 76 per cent of colleagues participating compared with 74 per cent in 2012.

2013 Colleague Survey results

- Our Performance Excellence Index score was 76 per cent (an increase of 8 percentage points from 2012) and is now 12 percentage points above the UK average
- Our Employee Engagement Index score was 64 per cent (an increase of 16 percentage points from 2012) and is now 3 percentage points above the UK average
- Our Line Management Index score was 81 per cent (an increase of 4 percentage points from 2012) and is now 14 percentage points above the UK average

In addition to these improved scores, the survey shows that participating colleagues' confidence and trust in our organisation and leadership improved by 22 percentage points compared with 2012, reaching 70 per cent – 8 percentage points above the UK average.

How our Colleague Survey works*

The survey is run in accordance with external best practice and Market Research guidelines, ensuring responses remain confidential and anonymous. It provides us with a rich source of data about our colleagues' views across a broad range of issues including confidence and trust, leadership, diversity and inclusion and making the right decisions.

We use three main indices to measure performance, engagement and line management. The Performance Excellence Index indicates how colleagues rate the Group's commitment to deliver and continuously improve high quality products and services for customers; the Employee Engagement Index gauges the extent to which colleagues are motivated to contribute to the Group's success. The Line Management Index assesses colleagues' feelings about their line managers, including the level of support they receive to develop and the extent to which they feel empowered and recognised.

These positive results reflect changes in our performance, including improvements in the way we deal with customer complaints. They also reflect increases in colleague pride in the organisation, and overall satisfaction with the Group as an employer. Almost two-thirds would recommend Lloyds Banking Group as a great place to work.

We're particularly pleased to report that 76 per cent feel we are a responsible business – up 14 percentage points from last year and 9 percentage points above the UK average. This indicates, amongst other things, that the vast majority of colleagues believe that the Group is committed to environmental and social responsibility and to ethical business decisions and conduct.

This year's Colleague Survey scores are very encouraging. We believe they confirm that an increasing number of colleagues are actively involved in our drive to become the best bank for customers and are emotionally engaged with the Group.

Colleagues across the Group will use the survey results to help them prioritise issues and take appropriate action. We've created a new Engagement Centre of Excellence team to help the business understand the implications of the survey and support colleagues' action plans.

BUILDING A COMPANY THAT'S GREAT TO WORK FOR

Empowering colleagues to do their very best

To be the best bank for customers we need colleagues to give their best, so we invest in their learning and development. We offer them the training they need to excel; we also encourage them to develop their skills through participation in community activities such as Business in the Community's Business Connectors programme, or by using their 'Day to Make a Difference' to support a local good cause.

Retaining top performers by being an attractive business to work for is one of the indicators of our effectiveness. In 2013 we retained over 94 per cent of top performing colleagues.

All colleagues can identify the training they need and access it through a new, more effective learning management system called Discover Learning, which we launched in July 2013. This year we delivered a total of 482,491 formal learning days which equates to an average of 5.4 days per full time equivalent^(A). Some 70 per cent of colleagues who participated in our Colleague Engagement Survey responded positively to learning-related questions (an increase of 7 percentage points compared with 2012).

Leadership Identity

This year we refreshed and simplified our Leadership Identity Framework – which sets clear behavioural expectations of our senior leaders. These behaviours will set out our leadership culture, stressing the importance of customer focus, business ethics, innovation, colleague engagement and development. The new Leadership Identity Framework is now being embedded in our resourcing, performance management, 360 feedback and leadership development processes.

^(A) Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.

Leadership Academy

We've launched a new Leadership Academy. This reflects our new Leadership Identity work and provides a more unified, relevant resource to help leaders improve their performance.

Developing future leaders

In line with our commitment to bring talented people into the Group, we've expanded the scope and scale of our Graduate Programme. We've also doubled the number of colleagues participating in our expanded Future Executives Programme, giving 50 MBA graduates the chance to fast track their career.

We're currently developing a School to Work programme to help young people in our local communities make the transition from education to employment. The programme, which will be launched in 2014, will enable participants to experience life in work through 'Insight Days'.

Apprenticeships

Building on the success of our 2012 National Apprenticeship pilot, we set a target to offer 1,000 apprenticeship places by the end of 2013 and achieved it by November. Apprentices on the programme (aged 16–24) acquire a range of customer-focused skills and achieve a nationally recognised qualification. The National Audit Office estimates that every £1 of public money invested in apprenticeships delivers a return of £18 to the wider economy; we've prioritised the programme through the Helping Britain Prosper Plan and aim to offer more apprenticeship places in future.

Learning Academies

Colleagues across the Group can access the learning and development support they need through our Learning Academies, some of which are also open to their family and friends. All of the training we offer through the Academies is tailored to support colleagues in different divisions, functions and roles. The Academies enable them to assess their own needs thanks to a user-friendly 'Plan Your Development' tool. They can then plan a relevant learning route, including study for professional qualifications if appropriate.

Flexible learning

Colleagues learn through face-to-face and virtual experiences, depending on their circumstances and time commitments. This year, we launched a new learning technology platform, Discover Learning, which makes it quicker and easier for colleagues to find the best training course for them. To support colleagues' digital capabilities, we encourage them to participate along with customers in Internet training through Go ON UK (which we co-founded in 2012). We've also created a network of Digital Champions to support branch colleagues.

Professional standards

This year, 51,325 customer-facing colleagues attained the Foundation Standard for Professional Bankers, which is offered by the Chartered Banker Professional Standards Board – more than any other bank and ahead of the 50,000 colleagues target set by our Group Chief Executive António Horta-Osório. The board, an initiative involving eight British banks and the Chartered Banker Institute, aims to restore public confidence and trust in banks by promoting a more professional culture and higher standards across our industry.

The Standard is much more than just a certificate. To attain it, colleagues have to demonstrate that they've not only completed all relevant training to undertake their role with the Group, but that they're also behaving in line with our Codes of Responsibility. Having the best, most professional workforce is essential if we want to be the best bank for customers.

We welcomed the launch of Sir Richard Lambert's Banking Standards Review, which we believe will also help to re-build public trust and highlight the value of the Professional Standards Board and the Foundation Standard. We aim to further embed the Foundation Standard in 2014 and also plan to roll-out the Leadership Standard.



Parenting hub

In 2013, we launched our parenting hub which will provide specialist support to around 2,000 colleagues each year.

Building a diverse, inclusive business

To be the best bank for customers we need to understand their incredibly diverse needs and equip our colleagues to meet them in full. We want to build a colleague team that truly reflects 21st-century Britain: a team in which differences are welcomed and everyone is treated fairly and with dignity and respect, regardless of their differences.

A top-to-bottom commitment

Our Group executives demonstrate our commitment to diversity and inclusion by sponsoring a diversity programme that's focused on colleagues and communities. Diversity and inclusion objectives are included in our Group Executive Committee's Balanced Scorecard and every division in the Group has a diversity and inclusion action plan in place.

Diversity and inclusion in 2013

Our diversity and inclusion activities are making a positive difference. Engaging our female colleagues and bringing more women into senior roles is an ongoing priority for us, so we are pleased to report that our 2013 Colleague Engagement Survey results showed higher engagement scores for female colleagues.

The survey also recorded significant improvements in colleagues' perceptions of the Group's commitment to diversity and inclusion.

Diversity data

	2013	2012
Gender		
Percentage of colleagues who are female	59%	59%
Female managers	44%	43%
Female senior managers	27%	26%
Disability		
Percentage of colleagues who disclose they have a disability	1.5%	1.5%
Ethnic background		
Percentage of colleagues from an ethnic minority	6%	7%
Ethnic minority managers	6%	6%
Ethnic minority senior managers	3%	3%
Sexual orientation		
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender	1%	1%

Data source: HR system (HRIS). Apart from gender data, all diversity information is based on colleagues' voluntary self-declaration to the nearest per cent. As a result this data is not 100 per cent representative; our systems do not record any diversity data for the proportion of colleagues who have not declared this information.

Our diversity and inclusion data highlights some areas where colleagues from particular groups may be under-represented in our workforce. In order to better reflect the

diversity of the Britain we serve, we know there are areas where we can take action to improve representation. To support our work in this area, we are investigating ways in which area we can overcome the challenge of reporting our data in comparison with a robust UK business norm with give a meaningful picture of how we compare with other companies.

Addressing unconscious biases

During 2013 we rolled out an unconscious bias programme across the Group to help all of our line managers and HR professionals understand and address their own unconscious biases, particularly when making recruitment, promotion and performance management decisions. We're currently developing a similar programme for all other colleagues, which will be launched in 2014.

Our diversity networks

To help us build a more diverse and inclusive working culture, we have created four colleague diversity networks – each one devoted to help members unlock their full potential. These are: Breakthrough – network for women; Access – disability network; GEM – Group ethnic minority network; and Rainbow – lesbian, gay, bisexual and transgender network.

The networks help members through training, mentoring and knowledge sharing activities. Membership is open to all colleagues.

BUILDING A COMPANY THAT'S GREAT TO WORK FOR

Commitment to gender equality

We want to lead in our industry by improving gender diversity amongst our senior managers, because research suggests businesses with a better gender balance at this level perform better than their competitors. Our Helping Britain Prosper plan includes our commitment to having 40 per cent of senior roles filled by women by 2020. We've already achieved one goal – 25 per cent female representation at board level – so now we're focusing on building a strong, sustainable pipeline of talented women for our most senior roles.

Through our Sponsoring Leadership programme we want to help more women and colleagues from ethnic minorities reach executive level with support from a dedicated colleague sponsor. Since the start of 2013, we've increased the percentage of female colleagues promoted and our aim is for 60 per cent of Sponsoring Leadership participants to be promoted within 18 months of starting the programme.

Our 'Footprints in the Snow' role models programme highlights the career paths taken by our most senior female managers, providing inspiration and useful stepping-stones for other women. Our inclusion in The Times Top 50 employers for women for the second year in succession also sends out a positive signal to colleagues and to women working outside our Group who may consider joining us in future.

Support for colleagues and customers with disabilities

We're committed to being a 'disability confident' organisation that provides equal opportunities for people with disabilities and enables them to realise their full potential. Our approach is based on the Business Disability Forum's (BDF) Business Disability Standard, which provides a framework to help us address the needs of disabled people – whether colleagues, customers, suppliers or other partners – across the Group. In 2012, our Group Disability Programme was rated ranked joint second by the BDF, which named us 'Best Private Sector Employer'. We'll be resubmitting to the BDF to be re-rated in 2014.

Our Group Disability Programme

The Group Disability Programme spans a range of key areas, including recruitment, retention, products and services for customers and collaboration with our suppliers and partners. The programme is widely respected across our industry and other business sectors.

A key component of the full programme is our workplace adjustment programme, which equips people with disabilities for work with the Group. Run in partnership with Microlink and AbilityNet, it's acknowledged as an industry benchmark and several businesses have approached us for advice on setting up similar initiatives. To date, 17,000 colleagues have completed the programme, which recently achieved a 98 per cent participant satisfaction rating.

Work experience for people with disabilities

We will be launching a work experience programme for around 100 disabled people in 2014, following a successful pilot scheme this year, which resulted in two out of six participants being offered full-time roles within the Group. We're running the programme, which is open to people with disabilities between the ages of 18 and 25, with an external partner.

Development opportunities for colleagues with disabilities

Since we launched our Personal Development Programmes and Career Development Programmes in 2012, more than 300 colleagues with disabilities have completed them. We'll be running more programmes in 2014. This year, we've also improved the Intranet-based disability guides we publish through the programme, making them more accessible and useful for colleagues with disabilities and for those who may need to help disabled customers. We've developed plans to refresh our disability awareness programme for line managers in 2014.

Support for colleagues from ethnic minority backgrounds

During the year we ran ten Career Development Programme courses to support the career development of more than 100 talented colleagues from ethnic minority backgrounds. The Career Development Programme, which is designed to support colleagues seeking their first senior management position, is highly rated by participants and has led to improvements in promotion rates. This year, 28 per cent of our new graduates were from ethnic minorities. We will be running more Career Development Programmes for colleagues from ethnic minorities during 2014.

Commitment to lesbian, gay, bisexual and transgender colleagues

Our sexual orientation programme is widely respected as one of the best of its kind. We've been rated as a top ten private sector company in the Stonewall Workplace Equality index for the past three years with our Rainbow Network achieving 'Star Performer' status. Over the past three years our retail brands have featured gay couples in their product advertising campaigns.



Leading gender equality

We have committed to having 40% of senior roles filled by women by the end of 2020.

Flexible working

We know how important it is for our colleagues to achieve a balance between their work and personal lives. We are committed to building a culture that encourages innovative agile working policies and practices. We recognise that embedding these is essential if we are to truly benefit as a business from different ways of working. Flexible working is an option for all advertised roles as stated on our recruitment portal.

Parents and carers

We provide one of the best packages for working parents and carers in the UK. This includes guidance for colleagues and line managers, e-learning modules to support new parents, and a parents' forum where colleagues can meet and share experiences. In 2013 we launched a specialist service which holds managed calls with colleagues and their line managers to support new parents' pre-leave and pre-return to work.

Supporting colleagues' wellbeing, health and safety

Colleagues who are healthy, happy and safe at work, with access to support when facing financial, physical or emotional issues, generally perform to the best of their abilities. This is why we make health, wellbeing and safety priorities.

Wellbeing in 2013

We work closely with BUPA, Health Management Limited, Validium and other partners to promote and enable colleagues' general health and wellbeing. For example, Validium runs our successful Employee Assistance Programme, with 5 per cent of colleagues accessing the programme to find help with health, wellbeing or financial issues during 2013.

This year, we've revised and re-launched our Health and Wellbeing Intranet site for colleagues. The site focuses on key aspects of wellbeing, including 'body, mind, finance and work'. Its features include free access to a Positive Health tool (provided by one of our external partners) that allows colleagues to check and improve their physical wellbeing. The site also promotes colleague involvement in national or international campaigns, such as World Mental Health Day or Backache Awareness Week.

Supporting colleagues who are also carers

A report published this year by the Scottish Widows think-tank, the Centre for the Modern Family, estimated that as many as 1.75 million of the people across Britain who have caring responsibilities are missing out on vital help, including much needed support at work. As the publishers of this report, we're very aware of the need to give any colleagues who are also carers as much practical support, including flexible working arrangements, as we possibly can.

Caring for colleagues

We're very aware of the need to give any colleagues who are also carers as much support as we can, including flexible working arrangements.



BUILDING A COMPANY THAT'S GREAT TO WORK FOR

Health and safety in the workplace

We work hard to identify all workplace risks and have policies and standards in place to help colleagues work safely and responsibly at all times. Health and safety training is mandatory for all colleagues at every level in the Group and we complete regular audits, inspections and maintenance programmes to help us improve safety standards.

During 2013, we've refreshed and improved our mandatory training programmes. We've also run awareness and education programmes, encouraging colleagues to recognise their personal responsibility for health and safety in the workplace, so that they can avoid accidents and support each other in creating a safety-first working culture. We've also maintained our close relationship with the health and safety enforcement agencies, through our participation in the Health and Safety Primary Authority Scheme.

Focusing on our property portfolio

We've worked closely with key suppliers involved in facilities management, design and construction on our behalf, to help reduce the health, safety and fire risks associated with their activities and our property portfolio as a whole. Consequently, we've increased investment in our Fire Risk Assessment programme to make sure we meet the highest standards. We're pleased to report that our partners on Lloyds Banking Group contracts have won Royal Society for the Prevention of Accidents (RoSPA) Gold awards for their work in this area.

Reported accidents in 2013

We worked hard to improve safety for customers and colleagues in our branches this year and for the third year running achieved a reduction in the number of accidents across the Group. In 2013, this reduction was 10 per cent compared with 2012. We've also been awarded our second consecutive RoSPA Gold Standard on the basis of our health and safety approach and standards.

Group accident rates

	2013	2012	2011
Total recorded accidents			
involving injury	2,655	2,957	3,931
Slips, trips and falls	795	826	787
RIDDOR	123	200	254

RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences Regulation.

Rewarding and incentivising colleagues

Remuneration in the financial sector receives close attention from many of our stakeholders. We take their views into consideration when we make any decisions about remuneration. We try to achieve the right balance: recognising the need to manage the Group's finances prudently, but also to incentivise colleagues to do their best for customers. Over the next three years, we'll continue to evolve our reward structures, making them fairer for all colleagues and linking them more directly with performance for customers.

Our Remuneration Committee, chaired by Anthony Watson, a non-executive director of the Group, oversees our reward arrangements. The committee is made up of independent main board members.

In line with the evolving regulatory environment, we've continued to make good progress in strengthening the governance processes covering the way we reward colleagues. We have robust performance management processes in place to help us assess all of our senior executives' risk management responsibilities. The committee is made up of independent main board members.



Rewarding colleagues *fairly*

We offer competitive salaries to attract the best people into our Group.

Pay, bonuses and pensions

We offer competitive salaries in order to attract the best people into our Group and aim to award competitive variable pay (bonuses and incentives) relevant to particular roles. All the bonuses we pay are linked to performance. They reward success in meeting our strategic goals or achieving positive outcomes for customers in line with colleagues' Balanced Scorecards, which measure individual performance across five areas: customer, building the business, risk, people and finance. We currently cap cash bonuses at £2,000 and pay additional amounts in shares, subject to deferral and performance adjustment.

Our directors' fixed pay in 2013 was unchanged from 2012, reflecting the difficult economic climate. For 2014 it is anticipated that fixed pay will increase but will only be applied to ensure that we continue to pay our directors appropriately for the roles they perform.

Giving colleagues a bigger stake

We want to encourage more colleagues to take up the opportunity of share ownership. In 2013 we launched the first Save-As-You-Earn plan for three years and actively promoted our Sharematch scheme.

Flexible benefits

Our Flex programme, which offers colleagues choices about the benefits they receive, is very popular. We've extended the programme in January 2014, and launched an optional Flex card, which entitles colleagues to rebates when they shop with 59 retailers.



Investing in communities to help them prosper and grow

As one of Britain's leading retail and commercial banks, serving around 30 million customers, our brands are familiar on the high street in almost every local community. By supporting these communities, through our products and services and our community-focused programmes, we can benefit many local people, build trust in our brands, and sow the seeds for future growth as the best bank for customers.

We invest in our local communities through a number of flagship community programmes and by encouraging colleagues to volunteer their time and expertise to help local organisations, including social enterprises and charities. Colleagues also raise funds for many different charities, including their nominated Charity of the Year. The Lloyds Bank and Bank of Scotland Charity Foundations increased their contributions through a matched giving scheme.

INVESTING IN COMMUNITIES TO HELP THEM PROSPER AND GROW

Our achievements in 2013

- ▷ £85 million [Ⓐ] invested in communities across the UK
- ▷ Raised £2.5 million for our Charity of the Year, the Alzheimer's Society and Alzheimer Scotland, beating our initial target to raise £2 million by the end of 2014
- ▷ Given grants to 1,568 community groups across the UK through our Community Fund
- ▷ 34,000 colleagues volunteered to help local good causes through our Day to Make a Difference programme
- ▷ Helped 3.6 million people come together to strengthen community relationships through The Big Lunch
- ▷ Received over 2,000 nominations for our local community Giving Extra Awards
- ▷ Invested £8 million in our Money for Life programme to help young people manage their finances better
- ▷ Helped 154 social entrepreneurs through our Social Entrepreneurs programmes
- ▷ Seconded 24 senior managers to help local businesses as Business Connectors

Our priorities in 2014

- ▷ Increasing participation in and impact of our community programmes
- ▷ Maintaining momentum in colleague involvement in community volunteering with more emphasis on skills-based support
- ▷ Meeting our charitable fundraising targets and support for our Foundations
- ▷ Supporting our colleagues in their volunteering activities as we strive towards 2.3 million hours of volunteering by 2020

The challenges ahead

No other financial services business in Britain invests more in local UK communities than we do – and with the launch of the Helping Britain Prosper Plan we're targeting this investment to deliver even better value. But we need to:

- ▷ Stay focused on the ways in which we can achieve most for customers and their communities
- ▷ Do better at explaining the good things we're doing

[Ⓐ]Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.

What the Helping Britain Prosper Plan means for local communities

The Helping Britain Prosper Plan aims to build on the extraordinary work that many of our colleagues are already doing to help their communities through in-kind giving. Our commitments are ambitious, but with 34,000 colleagues already volunteering their time in 2013, we believe we can build on this by:

- ▷ Bringing communities together to help them thrive
- ▷ Helping businesses and individuals succeed with expert mentoring and training
- ▷ Better representing the diversity of our customer base and our communities at all levels of the Group

You can read more about the Helping Britain Prosper Plan on pages 12–19.



'Our brands have contributed to help Britain prosper in good times and bad times, for a very long time. We've participated in local community activities and supported local people's aspirations for many generations. In every sense, we're part of the communities we serve.'

Graham Lindsay, Director, Responsible Business and Community Affairs

INVESTING IN COMMUNITIES TO HELP THEM PROSPER AND GROW

Developing our community investment programmes

Our community programmes are focused on the ways in which we believe we can make the greatest difference to local people and local communities. We've developed some of them ourselves; others are run in collaboration with community organisations, such as Business in the Community (BiTC). All of them involve colleagues, offering them the opportunity to use their skills and expertise for the benefit of the local communities in which they work and often also live.

Our community programmes cover four key areas:

- ▷ Investing in education, employability and enterprise
- ▷ Supporting local communities
- ▷ Fundraising and community events and charitable giving
- ▷ Supporting colleagues to make a difference

Investing in education, employability and enterprise

The ability to manage money well is essential in 21st-century Britain, with calls from many quarters to make financial education compulsory in schools. Unfortunately, many young adults lack the skills required to manage their money effectively. We're doing all we can to help address this issue.

Our Money for Life programme

In 2009, we launched Money for Life, our financial capability and personal money skills programme, aimed at improving the knowledge, confidence and skills of UK communities. The programme, which is designed for young people and adults in further education, and the work-based learning and community learning sectors, enables and empowers participants to manage their money more effectively. We've invested £8 million in this award-winning programme since its launch.

Money for Life qualifications

We provide accredited, fully-funded training to enable organisations (including Citizens Advice Bureau, housing associations, charities and colleges) to run Money for Life training sessions. In 2013 over 1,300 people completed this training. The experts we have trained have gone on to deliver money management workshops to over 50,000 people in communities across the UK.

Money for Life Challenge

Our Money for Life Challenge is a national competition, open to teams of young people aged 16–24 years, who come up with innovative money management projects that have a positive impact in their local communities. The chosen winners receive £500 grants to put their ideas into practice. This year we awarded 300 grants, compared with 250 in 2012. The most inspiring projects make it to national finals, and then the UK Challenge final. This year a project called Bouncing Babies won the UK final. You can read more about this project and others at www.moneyforlifechallenge.org.uk

Money management

This year we've awarded 300 grants through our Money for Life Challenge to young people with innovative money management ideas.

Working with Family Action and Home-Start

This year, we've extended the reach of Money for Life by working in partnership with community organisations. Together with Family Action, we helped colleague volunteers run money management workshops for 1,500 families in need of support. In September 2013, we announced a partnership with Home-Start that will enable colleagues to provide the same support for a further 1,500 families by August 2014.

A Big Tick for Money for Life

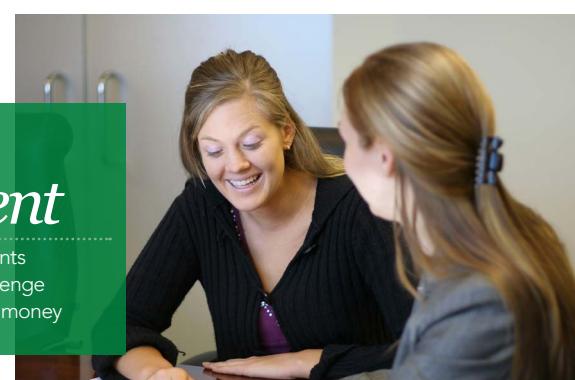
In 2012, Money for Life was highly commended in Business in the Community's Awards for Excellence and awarded a Big Tick. This year, the programme has been re-accredited.

Investing to improve employability for local people

Right across Britain, finding a job is a challenge for many people, particularly young adults. We're proud to be investing in programmes to help people living in our local communities acquire the skills and opportunities they need to find gainful employment.

Lloyds Scholars

The Lloyds Scholars Programme offers students from lower income households a complete support package to help them meet the costs of a university education and improve their employment prospects. Working in partnership with eight leading universities, we supplement financial support with invaluable vocational support provided by mentors from the business and through paid internships and development workshops. Since 2011 we've supported 240 students.





Supporting social entrepreneurs

We aim to help more than 1,300 social entrepreneurs build businesses that make a positive difference to their local community.

We ask all Scholars to volunteer 100 hours for a local good cause. This benefits local communities and gives Scholars invaluable transferable skills. We support students in nearly all disciplines and offer them all the choice of joining our Graduate Programme after graduation. In 2014 a further 120 students will join the programme. This year, the Lloyds Scholars Programme won the education award at the 2013 Lord Mayor's Dragon Awards.

Work Skills Programme

As part of our Legal team's community programme, we run the Lloyds Banking Group Work Skills Programme to encourage less privileged students to consider a career in financial services or the law and acquire the skills needed to succeed in both. This year, 89 students completed the training-based programme, which was run by around 150 colleague volunteers over nine days, in four cities: London, Edinburgh, Halifax and Bristol. The programme included work experience, skills training and competitive business games.

Running the programme demonstrates our commitment to support the objectives set out by PRIME, a legal industry initiative that promotes fair access to work experience. We intend to increase the number of places available on the programme in 2014.

This year, we also worked closely with a new charity, Suited & Booted, which provides suitable clothes and interview advice for vulnerable and disadvantaged men in London. Our Legal team donated more than 300 items of clothing and provided training and mentoring to support Suited & Booted help 700 men.

Investing in local enterprises

We're dedicated to helping encourage enterprise in local communities across Britain. We're focusing our efforts to support social entrepreneurs, many of them young people with promising, socially beneficial business ideas. We're also leveraging the experience and expertise of our senior managers to help charitable enterprises.

Social Entrepreneurs programmes

In 2012, we partnered with the School of Entrepreneurs to launch our Lloyds Banking Group and Bank of Scotland Social Entrepreneurs programmes. These programmes help social entrepreneurs build businesses that support enterprise, create new jobs and have a positive social impact on their local communities. We aim to help more than 1,300 social entrepreneurs start-up or scale-up over the next five years by providing them with grants of between £4,000 and £25,000 and the support of a business mentor. This year, 154 social entrepreneurs received grants through the programme. We've committed to invest £5.9 million in the programme over five years leveraged with £7 million additional funding from the Big Lottery.

Reducing landfill waste and helping local communities

Our Group Property team is working with Greenstream Flooring, a social enterprise, to recycle unwanted carpet tiles for the benefit of social housing tenants. Greenstream, a finalist in Lloyds Banking Group's 2013 Social Entrepreneur programme, acquires unwanted carpet tiles from businesses, helping them to reduce landfill waste. The tiles are cleaned and restored for use by a team that includes disadvantaged people and inmates at Wandsworth prison, then recycled for use in social housing or community buildings. In 2013, Greenstream acquired 45 tonnes of unwanted carpet tiles from Lloyds Banking Group for recycling. The Group Property team aims to do more work with this inspiring social enterprise in 2014.

INVESTING IN COMMUNITIES TO HELP THEM PROSPER AND GROW

Supporting diversity and inclusion in our local communities

We're working hard to support the diverse communities in which we work and live by:

- Backing the Stonewall Youth Volunteering programme, which supports young people launch and run anti-homophobia campaigns. This year, we helped Stonewall recruit 75 Youth Volunteers to spearhead these campaigns
- Sponsoring the First Women Awards, which recognise women in business whose achievements and actions have helped to remove barriers and open up opportunities for other women. We were proud sponsors of the 2013 Powerlist publication, which profiles Britain's 100 most influential black men and women. We will sponsor this again in 2014
- Working with Alzheimer's Society to help them create and launch their Dementia-Friendly Financial Services Charter, which sets out ways in which banks and financial institutions can become more dementia-friendly, help people with dementia plan ahead, access financial services and live independently for as long as possible. During 2013, 380 colleagues completed training to become 'Dementia Friends'. More than 150 senior leaders also completed the training through our collaboration with the Alzheimer's Society. You can read more about the charter on page 28 and at www.alzheimers.org.uk



Supporting good causes

During 2013, 380 colleagues completed Dementia Friends training.

Supporting local communities

We invest in a number of local charities and community groups that work to bring communities closer together. We also use the Group's resources and colleagues' skills and expertise to help communities prosper.

Community investment 2013

Cash donations	£53.7m
Colleague time *	£29.6m
Gift in-kind	£1.3m
Total contribution**	Ⓐ £85m

* Contribution includes management costs

** Figure adjustment due to rounding

Ⓐ Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.

Our Foundations

In 2013 we donated more than £29 million to the Lloyds Bank, Lloyds TSB and Bank of Scotland Foundations, enabling them to make grants to local, regional and national charities across the UK. Many of the charities that received donations are working to make a difference in economically deprived areas.

This year, the Lloyds Bank Foundations for England and Wales, Northern Ireland and the Channel Islands and the Bank of Scotland Foundation have all agreed new funding arrangements with the Group, which will ensure that they can do even more to support those in need across Britain.

The Lloyds Bank Foundation for England and Wales has launched a new strategy that focuses on investing in charities that help people to break out of 'disadvantage' at critical points in their lives. With increased funding from the Group, the Bank of Scotland Foundation has launched two new grants programmes that will enable it to help a much wider range of charities than ever before.

Matched giving

The Foundations also encourage colleagues to support charities through fundraising activities or by volunteering their time. Every colleague can claim up to £1,000 a year through the Foundations' Matched Giving scheme. In 2013, colleagues claimed a total of £3.3 million through the scheme.

Community Fund

We support local organisations through our Community Fund. In 2013, colleagues nominated over 4,600 good causes for the Community Fund, from which they shortlisted 1,568 organisations in 392 communities across Britain. Over 2.7 million votes were cast for local good causes – online, by SMS or in our Lloyds Bank and Bank of Scotland branches – with grants of either £300 or £3,000 awarded to those that received the most votes. More than 450,000 people across Britain will benefit as a consequence of the Community Fund awards.

Business Connectors programme

Lloyds Banking Group is one of the key sponsors and corporate partners of the Business Connectors programme, a flagship initiative for Business in the Community, a Prince of Wales Charity. The programme was set up after the riots of 2011 to harness the expertise of the business community for the future benefit of local communities. In 2012, we committed that 60 of our senior managers would be seconded as Business Connectors over three years. They will use their experience and expertise to help build productive relationships between charities, community groups and local businesses. At the end of 2013, we had seconded 24 managers into some of the most deprived communities around the UK.

Midnight League

For the past ten years, Bank of Scotland has worked together with the Scottish Football Association to run matches for children across all 32 Scottish local authorities, under the banner Midnight League. The Midnight League programme aims to change young people's lives by getting them off the streets and taking part in organised football. Since 2003, more than 60,000 children aged 12–16 have played in the league, with participation up by 10 per cent from last year and 7,500 young people taking part in at least one match in 2013.

The Big Lunch

Halifax is proud to partner with the Eden Project on The Big Lunch initiative, which aims to re-build social cohesion in communities by bringing local residents together over a big lunch, which takes place right across Britain. In 2013, 3.6 million people participated. Halifax supported The Big Lunch for the first time this year, with great help from colleagues who collectively organised 101 lunches and contributed almost 500 volunteering days. Over 90 per cent of colleagues who took part are proud of our involvement and want to lunch again in future.

Giving Extra Awards

This year we launched the Halifax Giving Extra Awards, to recognise and reward people who give extra in their local communities. We awarded vouchers, worth £250 to £5,000, to 67 winners. They can donate these vouchers to the good cause of their choice.

Engaging colleagues in agriculture and the food supply chain

This year, more than 70 colleagues from across the Group joined television presenter and Lloyds Bank customer Adam Henson, who is our Farming Ambassador, on a fact-finding farm walk at his commercial farm and visitor attraction, the Cotswold Farm Park. The event enabled colleagues to take a look 'behind the scenes' at a working farm to find out more about the issues Britain's farmers face, such as rural isolation, lack of access to training and low incomes, and the specialist help they require from our brands. Colleagues who attended the event also raised £2,000 for the Prince's Countryside Fund.

Big Lunch

Our colleagues organised 101 lunches across the UK



INVESTING IN COMMUNITIES TO HELP THEM PROSPER AND GROW

Fundraising and community events

Colleagues support and raise funds for local organisations in many different ways. They participate in national and local community events. They raise thousands of pounds for charities across Britain.

Our Charity of the Year

Our Charity of the Year for 2013/14, chosen by colleagues, is the Alzheimer's Society and Alzheimer Scotland. The money we fundraise for them will help to fund the Live Well campaign, the very first UK-wide dementia carers' programme. Our support for Live Well complements the Helping Britain Prosper Plan commitment to help 100,000 dementia sufferers and carers understand the condition in 2014.

Our original target was to raise £2 million by the end of 2014 – enough money to fund specialist support, including a carers' handbook and valuable training to help 9,000 carers give the person they support the best possible quality of life. We're proud of the tremendous support and engagement of our colleagues, who have exceeded our original target, raising £2.5 million by the end of 2013. Their participation not only benefits people with Alzheimer's disease and their carers, but also builds their motivation and pride in the Group.

The next phase of fundraising

Having exceeded our target a year ahead of schedule, at the end of 2013 colleagues voted on the next fundraising target for our Charity of the Year. The next £1 million that colleagues raise will be used to:

- ▷ Help Alzheimer's Society and Alzheimer Scotland support many more people affected by dementia through an Innovation Fund that will allow them to pilot vital new services and activities
- ▷ Ensure no-one diagnosed with dementia has to face the experience alone – by providing 100,000 people with a comprehensive Dementia Guide
- ▷ Help to expand both charities' befriending service to help a further 1,500 people with dementia
- ▷ Provide people with dementia and their carers in Scotland with financial and legal support, helping them stay in control of their lives for longer

By the end of our two-year partnership we hope to have raised £4 million for the Alzheimer's Society and Alzheimer Scotland.

Supporting Macmillan Cancer Support through our Insurance Division

Macmillan Cancer Support is a charity that our Insurance division has worked with to draw awareness to a number of important issues. For example, one of our Protection Specialists contributed to an influential report commissioned by Macmillan, on the full impact (including the financial implications) of suffering from cancer. In September 2013, colleagues across the Insurance division raised close to £3,000 through their support for Macmillan's World's Biggest Coffee Morning. Our Group Director Insurance, Toby Strauss, is a trustee of Macmillan.

Fundraising to support British agriculture

We support the Prince's Countryside Fund, which works hard to support and maintain living rural communities, through corporate donations. Senior colleagues from our specialist Agriculture teams and Business Connectors seconded from the Group help the fund to assess grant applications and offer mentoring for those who receive funding. Colleagues in the frontline agricultural teams also support two charities – RABI (Royal Agricultural Benevolent Institution) and RSABI (Royal Scottish Agricultural Benevolent Institution) – through a range of fundraising activities.

Great Scottish Run and Cardiff Half Marathon

This year, colleagues participating in the 2013 Bank of Scotland Great Scottish Run and Lloyds Bank Cardiff Half Marathon raised over £44,000 for our Charity of the Year. More than 600 colleagues ran alongside thousands of other runners and around 170 volunteered their time to help at the events.

Supporting the London 2012 Olympic and Paralympic legacy

We were proud to be the first national partner to the London 2012 Olympic and Paralympic Games, and we're delighted to be continuing our Local Heroes programme, signifying our the legacy from our partnership. Now in its seventh year, our Local Heroes programme supports up-and-coming young athletes from communities all over the UK. We have supported well over 1,200 Local Hero athletes, some of whom competed at London 2012, and many more will grace the stage at this year's Commonwealth Games in Glasgow.

In 2013, we were also delighted to have supported 6,500 schools to take part in Lloyds TSB National School Sport Week, with 1,100 colleagues volunteering to help make it happen and enable children to try a new sport.

Supporting colleagues to make a difference

Colleagues can volunteer their time and skills through our Day to Make a Difference scheme. Many of them are also involved in their local communities in other ways – for example, as school governors, treasurers and sports coaches. They show overwhelming support for our community programmes; we give them the time and encouragement to make a real difference.

Community volunteering

Colleagues' work-time participation in activities that benefit their local communities pays off in several ways: it makes colleagues proud to work for Lloyds Banking Group and gives them the opportunity to develop skills that are valuable to us; it gives us the chance to work alongside our customers, demonstrating that we share their concerns and commitments.

During 2013 we saw a marked increase in skills-based volunteering activities, with colleagues, including senior executives, involved in activities that included employability skills training for young adults, literacy and numeracy classes for school children, mentoring for SMEs and business advice for local charities.

Day to Make a Difference programme

Colleagues are encouraged to volunteer their time and expertise through our Day to Make a Difference programme, which allows them to spend at least one paid working day a year volunteering for a charity or community project of their choice. Over the past three years, colleagues have volunteered over 650,000 hours in their local communities and consequently we're on track to achieve our target of 1 million volunteering hours by 2015.

Give & Gain Day

We're the current sponsors of Business in the Community's Give & Gain Day – Britain's biggest volunteering event. We first got involved in 2010 and since then nearly 13,000 colleagues have participated, including 4,500 in 2013 – making us the best represented participating business.

Home-start UK

This year, through our partnership with Home-start UK (a charity that currently helps families with young children complete home makeovers), 240 Halifax colleagues contributed more than 1,900 volunteering hours, to help 100 vulnerable UK families improve their homes and standards of living.





Working continually to reduce environmental impacts

Our ability to help Britain prosper as a sustainable business is inextricably linked to wider environmental issues. Man-made climate change and global trends such as resource scarcity both have an impact on customers, communities and our own operations – sometimes directly, as in the case of extreme weather conditions or rising energy and commodity costs. So managing our environmental impacts and supporting the drive towards a low carbon, more resource-efficient economy makes perfect sense.

WORKING CONTINUALLY TO REDUCE ENVIRONMENTAL IMPACTS

Our achievements in 2013

- Reduced energy use by 12.7% against our 2009 baseline, resulting in cost avoidance by £8.7 million in 2013 and cost avoidance of £22 million since 2010
- Reduced water consumption by 18% against our 2009 baseline
- Diverted 95%^(A) of our operational waste from landfill – beating our 2020 target of 92%
- Engaged colleagues in our Environmental Action Plan through our Sustainability Network
- Worked for positive environmental change through many different external bodies, including the Corporate Leaders Group for Climate Change, Climatewise, AIM4C and the Banking Environment Initiative

Our priorities in 2014

- Invest £7 million in energy efficiency projects
- Continuing to engage SMEs to help them understand how to become more sustainable and realise the benefits to their businesses
- Completing the environmental accreditation of even more of our property estate

The challenges ahead

Reducing our environmental impacts by using energy and other scarce resources more efficiently is an ongoing challenge for us, just as it is for many other British businesses. We have achieved a lot this year, but we need to do even more in the future. It comes down to three key questions:

- How can we use less energy, transport fuel, building materials, paper and other resources even more efficiently?
- How can we inspire more colleagues to get involved in 'greening' our Group?
- How can we do even more to promote environmental best practice in our supply chains and in our industry?

We know what we need to do in response to these questions. We have bold 2020 targets in place and a coherent plan to achieve them.

^(A) Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.



'Through ongoing support and conversations with our clients, we can help them to make their businesses smarter, greener and – ultimately – more resilient.'

Andrew Bester, Chief Executive, Commercial Banking

WORKING CONTINUALLY TO REDUCE ENVIRONMENTAL IMPACTS

Managing our carbon emissions

Despite our continuing efforts throughout 2013 to move closer to our Environmental Action Plan targets, our overall carbon emissions have increased slightly compared with 2012. This has mainly been down to increased business travel, increased gas use during cold winter conditions and increased electricity use as a result of the heatwave conditions that followed in summer. The underlying trend is that we continue to improve our efficiency and we remain committed to delivering our Environmental Action Plan.

Mandatory emissions reporting

Under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we're now mandated to report emissions data in our Directors' Report. We've done this voluntarily since 2009 and reported CO₂, but the new regulations require changes to the scope of our disclosure compared with previous years. New emissions under scope are: energy billed through landlord service charges (referred to as shadow sites), energy consumed at international locations and refrigerant gas emissions (referred to as fugitive emissions). As a result we are now reporting CO₂e emissions.

CO₂e emissions 2013 (tonnes)

Scope	Oct 12-Sep 13 (including additional mandatory emissions)*	Oct 12-Sep 13 (like-for-like basis)	Oct 11-Sep 2012
Scope 1	73,196^④	53,279	49,943
Scope 2	333,212^④	291,547	293,521
Scope 3	37,827^④	37,827	34,740
Total	444,235^④	382,653	378,204

* Additional mandatory carbon reporting includes Scope 1 and Scope 2 emissions as described below.
Scope 1 – emissions generated from the energy billed for gas and oil where we do not hold the supply contract directly with the energy supplier (shadow sites), fugitive emissions and emissions generated from our non-UK sites
Scope 2 – emissions generated from the energy billed for electricity for sites where we do not hold the supply contract directly with the energy supplier (shadow sites) and emissions generated from our non-UK sites.

^④ Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.

This year we've reported like-for-like emissions based on 2012, to highlight the real trends in our emissions. On this basis, our like-for-like emissions have increased by 1.2 per cent.

Our emissions explained

We welcome the increased transparency brought about by the new regulations and continue to work to measure and manage these additional environmental impacts. Our overall emissions have marginally increased this year, largely because of the additional emissions we are mandated to report. In addition, our like-for-like emissions have also increased marginally. We used more gas (Scope 1) due to cold winter months and more electricity (Scope 2) in air conditioning equipment during warm summer months. The overall effect of the weather conditions would have been considerably greater had we not continued to make progress with our energy efficiency programmes. You can read more about the programmes in the Energy efficiency in 2013 section on page 53.

Using scarce resources more efficiently

Our Environmental Action Plan (EAP) incorporates programmes that are designed to measure and reduce our most significant environmental impacts: energy, business travel, waste, water and paper. The actions we've initiated and the targets we've set through the EAP are intended to make a positive difference at a corporate and colleague level, because while we can achieve a lot through the actions we take as a business, we can achieve even more if colleagues are actively involved in reducing their impacts at work.

In August 2012 we appointed Mitie to undertake facilities management for the Group. Throughout 2013, we've worked with them towards several of our EAP reduction targets. They've also helped us to explore new and often innovative ways in which we use scarce resources more efficiently, including the recycling of used cooking oil, the reuse of office furniture and the introduction of new biodegradable disposable food packaging.

Involving colleagues

We want to encourage colleagues to think about ways they can reduce their environmental footprint – by reducing business travel and paper use for example.

Sustainability Network

Around 1,000 colleagues voluntarily take time to encourage good environmental behaviour across the Group through membership of our Sustainability Network. They work hard to raise awareness, highlight specific environmental issues, encourage 'green' volunteers and coordinate colleagues' involvement in high profile events such as Climate Week. The Sustainability Network makes an important contribution, helping us to work more effectively towards our EAP targets.

Performance in 2013 against our EAP targets

During 2013, we've made progress against our EAP targets. The table summarises our performance in 2013, including progress made towards our 2020 targets.

Energy efficiency in 2013

We've set a target to reduce the energy consumed in our branches and offices by 30 per cent by 2020. To date, we've achieved a reduction in energy use of 12.7 per cent against our 2009 baseline, resulting in cost avoidance of £8.7 million in 2013 and cost avoidance of £22 million since 2010. Our work to date has principally improved and optimised our building control systems, making it much easier for us to control the energy we use in branches and offices. We are also working to improve the efficiency of our IT infrastructure. Examples include switching off all desktop PCs out of operating hours and upgrading all of our printers across in the UK.

Consuming less energy is a big focus for us, because energy accounts for around 85 per cent of our reported CO₂e emissions (based on 2012 information). Together with Mitie we've built real momentum in tackling this issue, substantially revising our energy strategy so that it focuses on two key areas: using less; buying well.

We've put in place strong governance procedures for our energy programme and together with Mitie have launched awareness campaigns across our respective businesses to drive behaviour change.

Environmental Action Plan

	2020 target	Progress to 2020 target	2013	2012
Energy	30% reduction in energy consumption*	42%	678GWh	657GWh
Paper	20% reduction in paper consumption	75%	27,220 tonnes	26,565 tonnes
Business travel	20% reduction in our business travel	95%	334m km	315m km
Waste	92% of waste diverted from landfill	>100%	95%	94%
Water	20% reduction in water consumption	90%	1,059,999m³	1,075,016m ³
Buildings	20% of m ² floor area environmentally accredited	23%	4.7%	1.5%

*Target excludes IT data centres and the use of oil as a fuel

We invested £5 million in 2013 on energy-saving technologies and plan to invest a further £7 million in 2014 on specific energy efficiency projects. Achieving an A rating Energy Performance Certificate for our new Horizon data centre in the East Midlands demonstrates our commitment to energy efficiency in the long term. In addition to hearts and minds communication programmes, we also plan to roll-out an Innovation Challenge in 2014, inviting colleagues to generate new energy-saving ideas of their own.

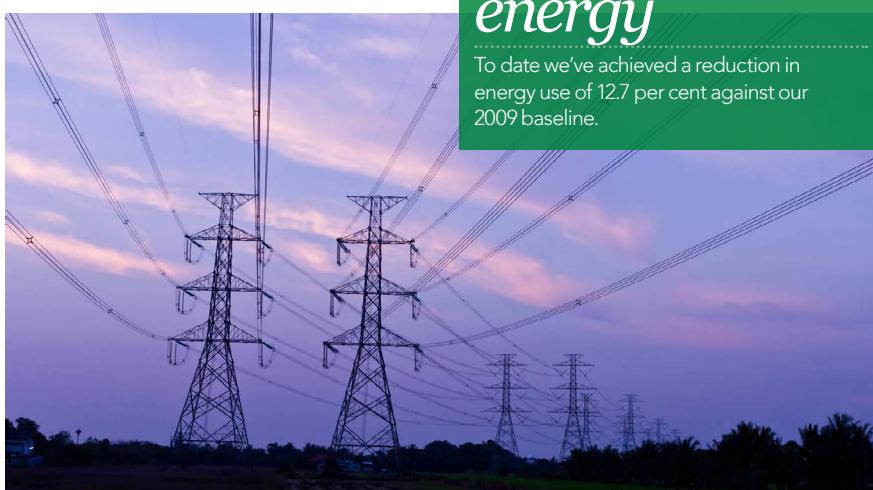
Business travel in 2013

Our total business travel this year was 330 million kilometres confirmed, an increase on last year of 5.4 per cent. We know that part of the reason for this has been down to growth in our business and the need to travel more to meet our customers' needs.

Our colleagues can't always avoid travelling for business, but our 'No Travel Week' policy has transformed attitudes to travel since we introduced it in June 2011. By actively promoting viable alternatives, such as tele-meetings, we've cut travel-related CO₂ emissions by 25 per cent in two years, meeting our 2020 travel target ahead of schedule. Reducing business travel in this way has also contributed to colleagues' wellbeing as they're away from home less frequently. We remain focused on reducing business travel in 2014.

Reducing energy

To date we've achieved a reduction in energy use of 12.7 per cent against our 2009 baseline.



WORKING CONTINUALLY TO REDUCE ENVIRONMENTAL IMPACTS

Building more efficiently in 2013

To help us maintain our existing property estate and undertake all new construction work in line with current thinking on sustainability, we run BUILDwise – a programme that's validated by both BREEAM (the world's leading and most widely used design and assessment method for sustainable building) and RICS Ska (the Royal Institution of Chartered Surveyors' environmental assessment tool for sustainable fit-outs and best practice performance). We've consistently achieved a Silver Ska rating across our retail and office construction works.

In 2013, we diverted 93 per cent of our construction project waste from landfill – ahead of our 2020 target to send less than 20 per cent of this waste to landfill. By the end of the year, 4.69 per cent of our property estate was environmentally accredited, moving us closer to our target of 20 per cent by 2020. We also started assessments on a further 3.2 per cent of the estate. These will be completed in 2014.

Water use in 2013

We have continued to reduce our water consumption as our business becomes more efficient and in 2013 we consumed 18 per cent less water than in 2009. In 2013 we piloted water-saving devices including waterless urinals. These have not been rolled out widely yet as we have focused resources on managing energy. We plan to reassess our water management plan to drive further reductions.

Achieving outstanding sustainable construction standards

Our newly constructed Horizon data centre in the East Midlands has achieved an 'Outstanding' BREEAM rating for its sustainable design and environmental performance credentials and received the highest scoring post-construction data centres report from BRE Global. It incorporates many state-of-the-art features, including 'Free Cooling' of the chilled water plant, using rainwater harvesting for the cooling system and waste heat recovery from the data halls to heat office and support areas.



Sending less waste to landfill

This year we've diverted 95% ^(A) of our waste from landfill, already beating our 2020 target.

Transforming our branch network through the One Construction Alliance

An alliance between Group Property, five contractors and one professional services provider has improved the way we approach construction and refurbishment projects – simplifying processes, reducing costs and allowing us to ensure common health and safety, environmental and ethical standards.

The One Construction Alliance has successfully rolled out 631 new TSB branches, all of which feature energy efficient LED signage technology. The Alliance has also completed work on the new TSB head office in London and transformed the working environment at one of our largest contact centres, Atlantic Quay in Glasgow.

Reducing waste in 2013

In 2012 we diverted 94 per cent of all our operational waste from landfill and this year we've done even better, diverting over 95 per cent ^(A) – which means we've beaten our 2020 target of 92 per cent several years ahead of schedule. We're going to review and possibly adjust this target in 2014 to take account of regulatory changes that will require more segregation of waste. We've also developed (and in some instances piloted) several new waste reduction initiatives, including a 'Keep-Cup' pilot, offering colleagues the chance to use reusable cups rather than disposable ones. Colleagues purchased 240 reusable cups, saving 5,900 disposable ones. If this take-up rate was achieved across the Group, the impact on waste reduction would be significant.

Paper use in 2013

This year our paper consumption has increased slightly by 3 per cent compared with 2012. Consequently, we've fallen 3 per cent behind our 2020 target. This increase in consumption is primarily down to additional printed materials required to rebrand Lloyds Bank and launch TSB. We remain on track to achieve our 20 per cent reduction target by 2020 (against the original baseline).

^(A) Indicator has been subject to independent assurance. PwC's assurance report can be found on page 81.

Thinking ahead, we're already exploring new ways to reduce paper use and recycle more. For example, at two locations where we produce high volumes of paper waste, we're exploring the use of on-site paper shredders and investigating ways to process shredded paper and other recyclable material in-house. Potentially, we could introduce a closed-loop process, creating products for use in the Group from recycled materials.

'Greening' the Scottish Widows Investment Partnership property portfolio

The Scottish Widows Investment Partnership's managed property portfolio, worth around £8 billion, includes 530 office buildings, shopping malls and industrial warehouses. We've introduced a comprehensive action plan, focusing on reducing energy and water usage, whilst also eliminating waste sent to landfill – and have made good progress on all three. We're also exploring the potential energy savings of installing solar arrays on our larger properties. In line with other Group businesses, Scottish Widows matches best practice sustainability on all of its construction or refurbishment projects.

Recycling used cooking oil

Used cooking oil (UCO) is collected from all Group catering outlets run by Mitie and then recycled to produce biodiesel. Between October 2012 and September 2013 a total of 29,304 litres of UCO was collected from LBG sites. This equates to CO₂ emissions savings of 48.5 tonnes and is equivalent to 242 family cars taken off the road if they used biodiesel instead of normal fuel.

Furniture reuse and recycling

Through its supply partner, Europa, Mitie manages a furniture recycling and refurbishment service. Rather than simply dispose of office furniture when it is damaged and needs replacing or when sites are cleared following vacation, this service ensures that it is recycled, reused or broken down into constituent parts for repairs. Between October 2012 and September 2013 more than 1,000 items of furniture were processed, delivering a cost saving of more than £117,000.

Recognition of the progress we're making

Carbon Trust standard

On the basis of our energy efficiency work so far, we've been re-certified with the Carbon Trust standard, which the assessor judged to be 'well co-ordinated and credible'. The recertification confirmed that we had reduced assessed carbon emissions by 4.7 per cent in 2012 compared with 2010 – a reduction of almost 18,000 tonnes. We won particular praise for the introduction of our 'No Travel Week' initiative.

Our Carbon Disclosure Project (CDP) score

As a consequence of the Group's continued carbon management activity our CDP (Carbon Disclosure Project) score improved this year. CDP requires us to disclose how we're addressing our carbon footprint and impact on the environment, including environmental risks – for our business and for our customers. We were ranked in the CDP FTSE 350 Climate Disclosure Leadership Index for the fifth consecutive year in 2013, demonstrating our continued commitment to transparency and reporting in this area.

Supporting the Green Economy

As a business that is directly and indirectly affected by climate change, resource scarcity and other global trends connected to the environment, we want to do all we can to support the evolving Green Economy. We want to work together with government and other stakeholders to understand how we can best help businesses that provide low carbon products and services or green technologies along with mainstream businesses who wish to do more in this emerging sector.

A recent study into the attitudes of senior business leaders, carried out by UN Global Compact and Accenture, highlighted that the sustainability agenda still influences the decisions British businesses take. More than 80 per cent of those surveyed feel that businesses should lead efforts to define and deliver sustainable development goals.

UK renewable energy policy

Over the past two years, the UK Government has undertaken an Electricity Market Reform review, in line with its aim to introduce a more stable investment regime – Contract for Difference (CFD). Primary legislation for this was passed in December 2013, with secondary legislation likely to be passed by July 2014. From then on, the current Renewables Obligation (RO) will run alongside CFD through to 2017. At present, it appears that given the limited availability of commercially acceptable or bankable Power Purchase Agreements under the RO regime, independent generators are restricting their investment in the UK.

These market reforms are intended to encourage investment of around £200 billion by 2020 in projects designed to provide clean, secure, affordable energy. Clearly, UK and EU policy has impacts on our customers. It influences the decisions they take about whether or not to invest in sustainable projects or initiatives. However, our focus is on promoting the commercial benefits of sustainability to our customers. We're working with them and the UK Government to help meet Britain's renewable energy objectives.

WORKING CONTINUALLY TO REDUCE ENVIRONMENTAL IMPACTS

Reviewing European energy and climate policy

European governments have launched the biggest review of their energy and climate policies for a decade. Consequently, investors are set to provide up to US\$7 trillion in capital to finance construction of a new low carbon power infrastructure. Scottish Widows Investment Partnership is working with the Institution Investors Group on Climate Change to ensure that governments understand fully how their energy and climate policies can be framed to attract sustained support from potential investors.

Renewable energy project finance

As an active participant in the project finance market, we're already playing a key role in finding solutions to current and future 'green' funding requirements. For example, at the end of 2013, we were involved in renewable energy projects across Britain, with a combined capacity of more than 3,580MW.

Renewable energy finance

	2013	2012
Total MW	3,580	1,800
Enough to power (homes)	3.5 million	2 million

In addition to our UK renewables lending, we have committed £237 million in loans to European renewable energy projects and US\$258 million to projects in the US, enough to power 5 million homes.

Supporting SMEs

Our work with SMEs focuses on helping them to understand and maximise the commercial benefits of sustainable business practices. We spread the word to customers that sustainability can be profitable and that it makes businesses more resilient, not only in the long term but in the here and now – by equipping them to face unexpected challenges such as adverse weather conditions for example.

In the Mid-Markets part of our business (serving businesses with a turnover between £25 million and £750 million) our focus has been on developing a proposition and a policy for customers who want to invest in micro-renewables. We've trained champions in this in each region, to respond to customer queries and help add value or realise cost savings for their business. Whilst there have been early adopters, demand has been slow to build as businesses develop their own sustainability strategy, and we are continually reviewing our offering to make sure we can meet our customers' evolving needs.

Legislation related to sustainable business practices is evolving fast, with proposed changes in law that may increase the level of fines that can be imposed on businesses which don't meet key requirements. We use our brand websites to link SMEs to organisations that can advise them about current regulatory requirements. We've invested in training that will enable our commercial managers to understand the sustainability issues our customers face and we regularly review our credit policy in order to support customer investments in renewable energy projects.

We've engaged with SME customers in several different ways this year. We ran three workshop-based events in Wales, Scotland and the East of England, to help SME businesses understand the benefits of becoming more sustainable and recommend ways in which they can do so. These events were well attended and guest contributors included representatives from the Eden Project in Cornwall, WRAP Cymru, Resource Efficient Scotland, Adnam's Brewery and Vegware. We plan to run similar events in the future.

In May 2013, the Lloyds TSB Commercial Banking People and Environment Business Awards recognised the sustainable achievements of businesses in 13 different categories. Winners included some of our business customers. We believe sustainability and environmental awards are a good way to recognise and showcase sustainable business practices in the SME sector.

Early in 2013, Lloyds Bank and Bank of Scotland both launched versions of our new online tool, REDUCE – a free resource that enables SMEs to create and implement their own sustainable business plan. We highlighted the benefits of using REDUCE at our workshops later in the year.

We've developed two important new strategic partnerships during 2013. The first is with the National Industrial Symbiosis Programme (NISP) – an organisation that helps businesses work together to cut waste by making resources one business doesn't need available to another that can make use of them in its value chain. We believe that participation in NISP can benefit many of our SME customers, particularly those involved in manufacturing, so we're currently training a number of our colleagues to explain how NISP adds 'mutual benefit' for participating businesses. Our second partnership is with the Energy Saving Trust, an organisation that can provide our SME customers with a wealth of good advice about ways to reduce their energy and resource costs, by using these more efficiently and generating their own energy.



Influencing environmental change

We're working with several industry groups to inform and influence positive environmental change.

Providing renewable energy finance for Agriculture SMEs

This year we agreed loans worth £21 million in total to help SMEs in the agricultural sector undertake small-scale renewable energy projects, including wind, solar, hydro and solid biomass generation. With our support, customers can build the resilience of their businesses by generating their electricity from renewable sources (many of which are more robust than mains supply in the event of extreme weather conditions) and by selling excess energy into the National Grid to ensure an alternative revenue stream. These projects, which are undertaken by SMEs involved in many different kinds of agricultural activities – from hill farmers in Cumbria to poultry producers in Cornwall – typically produce around 1MW a year.

AIMC4

For the past few years, we've participated in AIMC4, a unique partnership of companies, created to research, develop and widen the UK geographical spread of lower carbon homes, moving the industry towards the UK Government's aim of zero carbon homes by 2016. AIMC4 was originally set up to develop the materials and skills needed to meet the Code for Sustainable Homes level 4 in new-build properties. We've supported AIMC4 by providing lending against new technologies and by creating an exclusive mortgage product to support awareness and lending against these units. Since AIMC4 was established, Code 4 has been achieved ahead of target and many new properties now exceed this standard. Consequently, the AIMC4 forum will meet for the last time early in 2014. We're proud that we were able to use our influence as a lender to support the move towards lower carbon homes.

Environmentally responsible fleet leasing

Lex Autolease aims to lead its market as an environmentally responsible business that actively supports its customers' sustainability objectives. Lex Autolease, which has held the ISO14001 Environmental Standard for 15 years, runs a popular web portal, The Green, www.lexautolease.co.uk/thegreen, to help customers 'green' their fleets. Over the past two years, 60 Lex Autolease Customer Relationship Managers have completed training with the Cambridge Programme for Sustainability Leadership to equip them with the specialist knowledge needed to better serve their customers.

A number of Lex Autolease colleagues are currently working with cross-industry and government groups to help the UK develop a zero carbon fleet solution and meet its domestic and EU carbon targets. The Company also chairs the Corporate Leaders Group on Climate Change – Transport Compact, which works to encourage the wider introduction of zero carbon vehicles. Lex Autolease has also worked together with the National Forest Company to help heal devastated land by reforesting an area of lowland forest in order to offset its CO₂ production.

WORKING CONTINUALLY TO REDUCE ENVIRONMENTAL IMPACTS

Scottish Widows Investment Partnership

Our asset management arm, Scottish Widows Investment Partnership, currently manages £145.7 billion worth of funds, with £47 billion invested in British companies. Together, these companies are responsible for carbon emissions of more than 500 million tonnes CO₂ equivalent, excluding their product and supply chains. Scottish Widows Investment Partnership uses its influence with these companies to promote the benefits of improved energy and resource efficiency in their business activities. It also works with other investors to lobby the UK Government and EU governments to strengthen their climate policies.

Throughout 2013, there has been ongoing debate about whether investors should reduce their interests in fossil fuel companies and the prospects of a 'carbon bubble'. Through the Carbon Asset Risk Initiative, a joint initiative involving 70 major global investment institutions, colleagues from Scottish Widows Investment Partnership are actively debating the climate change risks and the investment implications of a low carbon global economy with the world's leading mining and oil and gas companies. The Company has already reduced its investment in coal mining, due to the risks associated with falling demand.

Scottish Widows Investment Partnership is a signatory of the UN Principles for Responsible Investment. As such, we take into account environmental, social and governance issues when making investment decisions or voting as a shareholder. This year, we've worked to encourage more than 120 companies to adopt effective corporate governance and environmental risk management policies. We've discussed the appropriate design of remuneration policies with the boards of many of Britain's leading companies, as well as addressing issues ranging from oil drilling in the Arctic to labour standards in clothing sector supply chains in Bangladesh.

Influencing environmental change

We work together with many different external stakeholders, including several industry groups, to inform and influence environmental change.

The Group is a member of the Corporate Leaders Group on Climate Change and the Banking and Environment Initiative. We also do what we can to encourage customers to make the most of the opportunities that the transition to a more resource efficient, low carbon economy presents.

- Our Group Director and Chief Executive, Commercial Banking, Andrew Bester, represents the Group on the Corporate Leaders Group on Climate Change and is a member of the Cambridge Programme for Sustainability Leadership advisory board
- The Managing Director of Lloyds Banking Group Scotland, Lady Susan Rice, is a member of the 2020 Scottish Climate Change Group
- Lloyds Banking Group and Scottish Widows Investment Partnership (SWIP) are signatories of the UN Principles for Responsible Investment. SWIP is also a member of the Institutional Investors Group on Climate Change
- Group Insurance is a member of Climatewise, the global insurance industry's leadership group on climate change risk
- We make a submission to CDP every year, giving global investors access to environmental performance data and information alongside thousands of companies around the world, including many of the FTSE 350
- The Group is a member of:
 - AIMC4 (until early 2014)
 - Business in the Community's Sustainability Leadership Team
 - The Confederation of British Industry energy and climate change board
 - The Banking Environment Initiative

The BEI 'Soft Commodities' Compact

Through our participation in the Banking Environment Initiative (BEI) we're working in alliance with the Consumer Goods Forum (CGF) to investigate the viability and potential consequences of re-aligning our and other banks' services to support the CGF's 2010 resolution to achieve zero net deforestation across its member businesses by 2020.

We've helped the BEI develop this new compact and have signed up to it. As a signatory we're making two key commitments: firstly, to work with CGF businesses and partners in their supply chain to help them finance the growth of markets producing palm oil, timber products, soy and beef to the required zero net deforestation standards; secondly, to benchmark our own procurement policies against those being implemented by the CGF and, wherever possible, to align with them in full. In addition, we'll put in place mechanisms to help us assess the procurement credentials of our business customers against the CGF policies and, by 2020, require them to match them before we agree to offer them our services.

We believe that signing up to the compact will help us to make our own supply chains more sustainable and also encourage our customers to follow suit. Our work together with other banks and businesses outside our sector to achieve environmental change also demonstrates what can be achieved when we work in partnership with external stakeholders, including our own suppliers.

Managing environmental risk

Colleagues use our Environmental Risk Screening Tool (ERST) to assess environmental risk in lending. They're also supported by our Environmental Risk team and benefit directly from the advice provided by a panel of independent environmental consultants. Our Environmental Risk team works very closely with our customer-facing colleagues and external stakeholders to increase awareness of environmental risk. Lloyds Banking Group is a signatory to the Equator Principles, which provide a framework for determining, assessing and managing environmental and social risk in project finance transactions.

You can read more about our risk management activities and the Equator Principles on pages 70–71.



Working responsibly with our external stakeholders

We can't succeed without the trust and support of our stakeholders. We benefit from their expertise, advice and their constructive criticism. They, in turn, often benefit from their relationship with us. Together with them, we can do more to help Britain prosper than we ever could in isolation.

WORKING RESPONSIBLY WITH OUR EXTERNAL STAKEHOLDERS

Our achievements in 2013

- Shared our views on culture, ethics and standards with the Parliamentary Commission on Banking Standards
- Liaised with the Treasury Select Committee prior to the launch of TSB
- Discussed the Current Account Switching Service and ring-fencing with HM Treasury and regulators
- Shared our views about the future of care funding in Britain with the UK Government
- Launched a review of our approach to responsible business in the supply chain
- Identified ways in which we can build sustainability opportunities for SMEs into our supply chain
- Launched a recycling scheme for the plastic cheque and cash bags we use in our branches – diverting ten tonnes of plastic from landfill this year
- Worked closely with our unions as we implement our ongoing change programme

What the Helping Britain Prosper Plan means for our stakeholders

The Helping Britain Prosper Plan covers a number of our stakeholders, most of which are discussed in other sections of the Responsible Business Report. One area that isn't covered elsewhere is how we work with our suppliers. Our commitment is to:

- Help businesses to start up and scale up and to procure responsibly

You can read more about the Helping Britain Prosper Plan on pages 12–19.

Our priorities in 2014

- Roll out our new Supplier Code of Conduct and auditing suppliers against it
- Investor Roadshows for shareholders to explain the Helping Britain Prosper Plan
- Continue to work with the UK Government in its efforts to improve standards in the banking sector
- Pay 95% of our suppliers within 30 days

The challenges ahead

We know that improving governance standards matters to many of our customers and it's vitally important that we do everything we possibly can to create a better kind of banking for the future. We also know that many customers are concerned about ethical and environmental standards in our supply chains – so we need to think beyond our own business across the whole value chain. In truth, many of our suppliers share our values and goals as a responsible business. They want to work with us because they know that we can achieve much more together.



'We engage with government, suppliers, trade unions, shareholders and other external stakeholders to ensure mutual understanding and work towards shared goals.'

Anita Frew, Chair, Responsible Business Committee

WORKING RESPONSIBLY WITH OUR EXTERNAL STAKEHOLDERS

Who are our stakeholders?

In addition to our colleagues and customers, our largest stakeholder groups include central and local government, our investors, our suppliers, the trade unions and NGOs. Our Code of Business Responsibility sets out clearly our approach to engaging and working with stakeholders. Divisional leaders, the Group Executive Committee and the main Board all discuss significant issues related to stakeholders as appropriate.

Our relationships with stakeholders are managed by colleagues who best understand their very different needs. For example, our Employee Relations team is best placed to manage our relationship with trade unions and the head of sustainability in our asset management arm, Scottish Widows Investment Partnership, leads our contact with the Institutional Investors Group on Climate Change. We also do whatever we can to involve stakeholders concerned about 'responsible business practices' in regular discussions about our responsible business and our responsible business reporting processes.

Working with government and regulators

We engage regularly with the UK Government, the European Commission, the European Parliament and other bodies to assist in the formulation of public policy around consumer issues, financial inclusion, financial education and finance for the Green Economy. We also produce economic and social research that champions consumer interests, for example the Halifax House Price Index, which is frequently used to inform government policy.

There is currently significant Parliamentary and regulatory interest in financial services in the UK. During 2013:

- ▷ The Parliamentary Commission on Banking Standards published its final report. This included recommendations on a new Senior Persons Regime, and enforcement rules, remuneration and switching/competition issues
- ▷ The Financial Services (Banking Reform) Act was passed, enacting certain recommendations of the Independent Commission on Banking, chaired by Sir John Vickers and the Parliamentary Commission on Banking Standards
- ▷ The Treasury Select Committee completed several enquiries, including one into our divestment of TSB

TSB divestment

We kept UK Financial Investments (UKFI) – the organisation that manages the Government's 33 per cent stake in Lloyds Banking Group on behalf of HM Treasury – fully briefed on the progress of the divestment of TSB under EU state aid rules. UKFI's sale of one-sixth of its share in the Group reflects the hard work we've completed over the past two years to make Lloyds Bank a safe, profitable business that's focused on supporting the UK economy.

Helping to transform banking

We're working directly with the UK Government, members of Parliament and other stakeholders to improve ethical and quality standards in the banking industry. We know that to help re-build trust in banking, we must do and be seen to do the right thing, helping Britain prosper through our business activities in line with our strategy to be the best bank for customers.

When we believe it's in our customers' and stakeholders' interest to do so, we are ready to lead our industry. For example, we've led the way in developing an industry-wide Current Account Switching Service.

We're helping to transform banking through our engagement with several government and Parliamentary bodies:

- ▷ The Parliamentary Commission on Banking Standards – sharing our views on culture, ethics and standards
- ▷ The Treasury Select Committee – on the launch of TSB
- ▷ HM Treasury – on the Current Account Switching Service
- ▷ HM Treasury and regulators – on ring-fencing and resolution
- ▷ The European Commission – on the Payments Account Directive, the Capital Requirements Directive IV, Recovery and Resolution and the Deposit Guarantee Scheme Directive

We've also remained active members of several trade associations, including the British Bankers Association and the Association of British Insurers, working with fellow members to build industry consensus on a range of topics, such as financial inclusion, Funding for Lending and Help to Buy.

Salz Report

The Salz Report published in 2013 provided the banking industry with a set of standards against which the industry's approach to business practices will be assessed. We continually assess ourselves against the Salz Report recommendations and where further changes are required we are fully confident of meeting the standards set out through initiatives currently ongoing across the Group.

The Agile Future Forum

Led by our Chairman, Sir Winfried Bischoff, the Agile Future Forum is devising ways to help Britain's businesses to become more agile and more competitive.



The Parliamentary Commission on Banking Standards

The UK Government established the Parliamentary Commission on Banking Standards (PCBS) to review professional standards and culture in UK banking and to scrutinise the Banking Reform Bill. Appearing before the PCBS in 2012, our Group Chief Executive, António Horta-Osório, acknowledged that banks had lost sight of their core values but stated that the Group was focused on delivering better outcomes for customers by providing simpler products and adopting more customer-centric processes.

The PCBS published its final report, *Changing Banking for Good*, in the summer of 2013. This included recommendations on a new Senior Persons Regime, enforcement rules, ring-fencing remuneration and switching/competition issues. The UK Government has accepted a significant number of the commission's recommendations, incorporating them into the Banking Reform Act.

The Financial Services (Banking Reform) Act

We support the concept of ring-fencing introduced in the Banking Reform Act, which received Royal Assent in December 2013. Much of the detail about how ring-fencing will operate will be included in secondary legislation, following further consultations in 2014.

Connecting to communities across Britain

In line with our commitments to help Britain's households, businesses and communities prosper, we keep constituency MPs across the UK fully informed about our activities and plans as a responsible business. To understand the communities we serve even better, we've set up Executive Committees in every UK nation and region. A Group Ambassador chairs each committee and engages with MPs and local authorities to make sure we stay alert to national, regional and local challenges and can play a full part in helping to address them.

Helping to address Britain's future needs

In October 2013, senior leaders from our Insurance Divisions joined experts and dignitaries at the House of Lords to launch the ninth annual Scottish Widows Women and Pensions Report. The event provided us with a strong platform to engage key policy makers and politicians in our continuing efforts to highlight and address Britain's potential pension funding crisis and the pension needs of women in particular. In March, we chaired a breakfast in Parliament, to share the findings of our 2013 Scottish Widows Savings and Investment Report and later presented these findings to Treasury officials a week before the 2013 budget.

In December 2013, the UK Government unveiled its infrastructure spending plan for the next two decades. The insurance industry has committed to invest £25 billion over the next five years on a range of energy, transport and communication projects set out in the plan. Scottish Widows is one of the businesses contributing, demonstrating our commitment to help Britain prosper in the long term. In 2013 alone, we transferred more than £1 billion infrastructure, social housing and education loans from the Group's commercial bank to the Scottish Widows balance sheet. Senior leaders from our Insurance Divisions have also been involved in early discussions with the UK Government about the future of care funding and the role that Britain's insurance providers may play in developing and delivering more effective models.

The Agile Future Forum

Following a request from the Deputy Prime Minister, Nick Clegg, our Chairman, Sir Winfried Bischoff, has established the Agile Future Forum (AFF), a new employers group comprising 22 leading organisations from both the private and public sectors, including Tesco, John Lewis, Ford, BT, MTM products and HM Treasury. The founder members of the forum reflect a broad range of sectors, sizes and geographical spread and all have a track record of managing workforce agility in their organisation. Between them, they employ over half a million people across the UK.

WORKING RESPONSIBLY WITH OUR EXTERNAL STAKEHOLDERS

Under the chairmanship of Sir Win, the Group has collaborated and developed a new methodology that enables organisations across sectors, whatever their size, to assess and implement the tangible benefits of agile working to their businesses and their employees.

Throughout 2013, the Agile Future Forum (AFF) has worked together with many partners, including the Economist Intelligence Unit, to create the first Global Agility Readiness Index, which will compare Britain with 14 other advanced countries to determine those best placed to create an agile workforce and identify any barriers. This Index is expected to launch in the first half of 2014.

The AFF has also developed a website, www.agilefutureforum.co.uk to provide best practice case studies for companies and an online business tool will be launched in 2014. We have a Lloyds Banking Group programme to look at how we can create a more agile workforce within our own organisation that will benefit our customers, colleagues and the business.

Working with Defra

As a bank that actively supports Britain's farmers and the agricultural community through loans and other financial services, we engage regularly with Defra (the Department for Environment, Food and Rural Affairs). Our Agriculture Policy Director, Alick Jones, is a member of Defra's Farming Resilience Group, which is exploring ways to make British farming more resilient in the face of extreme weather conditions and contributing to the 'Future of Farming' review, which is focused on finding ways to attract new talent into agriculture.

This year, our Agriculture teams also hosted a lunch at the House of Commons, which was attended by MPs, farmers and businesses from other parts of the food supply chain, including supermarkets, grain suppliers and dairy producers. The event provided an opportunity for participants to discuss issues directly related to the sustainability of Britain's food chains. It's a good example of the way in which we can bring together customers in different parts of supply chains to help them highlight and discuss the challenges they face individually and collectively.



Launching our Supplier Code of Conduct

Our new Supplier Code of Conduct will set minimum ethical and environmental standards that approved suppliers must meet.

Working with our suppliers

We want to source goods and services in ways that are responsible, sustainable and also constitute best value for our customers and shareholders. Why? To secure the goods and services we need to be the best bank for customers. At the same time, we can also use our influence to help suppliers to match the same high standards.

We work hard to build mutually beneficial supplier relationships, based on understanding and trust. We benefit from our suppliers' products, services and specialist expertise; but at the same time, we also take into account their social, ethical and environmental credentials when we make any procurement decision. All of our significant suppliers are screened on the basis of responsible business parameters prior to selection.

Our journey so far

Like any large, established business, our sourcing processes have evolved over time. As a responsible business, our biggest challenge is to strengthen the ethical and sustainable components at every stage of these processes to ensure that the responsible business practices are inherent in our supply chain activities.

Our journey is an ongoing one, but since 2011 we've done a great deal to simplify our sourcing processes: making it easier for suppliers, including SMEs and micro-businesses (who currently account for about 87 per cent of our approved suppliers) to do business with us and ensuring that colleagues across the business understand how sourcing works and make the right choices when they procure goods and services.

Our focus in 2013

Our Group Sourcing team has committed to make responsible business practices integral to our sourcing activities by the end of 2014, and this year we've made significant progress towards achieving this goal – developing a coherent plan that covers all aspects of our sourcing activities. The plan, which evolves and expands our current approach, was approved by the Responsible Business Committee in June 2013. It addresses sourcing activities across the Group, using our existing Group Sourcing Policy as a starting point, along with supplier standards through the creation of a new Supplier Code of Conduct.

In essence, the plan we're developing outlines our approach to responsible sourcing. It focuses on:

- Setting and embedding minimum standards (or better) across our supply chain through a new Supplier Code of Conduct
- Making it even easier for SMEs to do business with us
- Working with our suppliers to achieve mutual, measurable benefit through the implementation of responsible and sustainable sourcing initiatives

How responsible sourcing works in Lloyds Banking Group

We comply with all relevant laws and legislation in any country where we source goods or services. We also operate in line with a number of international standards and conventions, including ILO Labour Standards, but at the very heart of our approach is our Group Sourcing Policy.

Our Group Sourcing Policy

Our Group Sourcing Policy defines how we source goods and services and manage all aspects of our relationships with suppliers – including the ways in which we assess all potential suppliers and select 'approved' suppliers.

The Policy, which is part of the Group's Risk Framework, is much more than a 'static' document. It provides a reference point for all our sourcing activities, including governance processes. Every colleague involved in sourcing goods or services is expected to adhere to the Policy; every division in the Group completes a Control Effectiveness Review twice per year to assess its compliance with the Policy. Colleagues in our Group Sourcing team help in this process and suggest ways in which the divisions can improve their performance in future.

Supporting colleagues

It's important that we do all we can to help colleagues source the best quality, best value products and services – in ways that also match our responsible business standards. One way we will be doing this is by providing an Approved Supplier List. Cost, quality and reliability are important to us, but we also take into account potential and current suppliers' social, ethical and environmental credentials. The introduction of our new Supplier Code of Conduct in 2014 will make this process more rigorous and effective than ever before. You can read more about the Supplier Code of Conduct below. We'll also carry out regular audits to help suppliers assess their performance against the Code and stay in compliance with it.

We also support colleagues involved in sourcing in several other ways. We provide relevant information and advice for all colleagues on our Group Intranet, provide relevant training, and run regular forums and webcasts.

In 2013 we also ran monthly best practice training meetings with approximately 250 supplier managers and business unit risk partners to keep them up to speed with our processes and best practice standards across our industry.

How responsible sourcing works in our supply chain

We already assess our suppliers against our Group Policy Standard and in 2014 we're introducing our new Supplier Code of Conduct, setting out the minimum standards we require from them and encouraging them to move beyond these minimum standards.

The new Supplier Code of Conduct sets minimum standards across six key dimensions: human rights; ethical standards; environmental standards; governance; health and safety; and community. We expect the Code to receive final approval from members of the Responsible Business Committee in the first half of 2014 and to be introduced over the coming months. Following its introduction we aim to assess all of our active suppliers against the Code as quickly as possible.

In future, the minimum standards required in the Supplier Code of Conduct will effectively set a higher bar than ever before for all businesses that aspire to be included on our Approved Supplier List. But we won't settle for minimum – we want to actively encourage and help our suppliers to attain higher responsible business standards.

Helping our suppliers meet our standards

The Supplier Code of Conduct will make it very clear what we expect from all our suppliers, and we'll help them to implement the Code in full as swiftly as possible by providing them with the advice and resources they need to get up to speed with our processes and procedures. At present, these resources include a CSR risk assessment matrix, within the 'policy adherence toolkit' and CSR questionnaire for suppliers, a number of supplier communications and first-hand advice from the Group Sourcing team. Over the next two years, we aim to launch an online supplier portal, which will offer businesses of all sizes a one-stop shop for information on becoming a Lloyds Banking Group approved supplier.

Introducing supplier certification

We're currently considering the viability of introducing independent supplier 'certification' which would enable suppliers to provide independently verified proof that they meet the responsible business standards that we and other financial services businesses require. Certification of this kind is already used in other industries, including the oil and gas sector.

Making it easier for SMEs to become approved suppliers

At present, around 87 per cent of our active suppliers are SMEs or micro-businesses, while a number of our larger suppliers, including Mitie, our facilities management partner, also contract with large numbers of SMEs to deliver goods and services to us.

We want to do all we can to help SMEs meet the commercial and responsible business standards we require from our approved suppliers. We've already started this process by simplifying our contractual processes and we are a signatory to the Prompt Payment Code. We aim to do even more in future, following approval for our responsible sourcing plan from the Responsible Business Committee early in 2014.

Paying our suppliers promptly

As a signatory to the Prompt Payment Code, we've made a commitment to pay our suppliers on time and honour the payment terms agreed at the start of every supplier contract. In line with the Code, we provide clear guidance about our payment procedures (including dispute resolution) and encourage our suppliers to match our prompt payment standards in their supply chains. Our Group Sourcing Policy takes suppliers' payment policies and practices into account.

In 2012 the average time to pay increased compared with 2011. This is something we worked hard to address in 2013 through improvements to systems and processes and our efforts have delivered a reduction in average payment times. During 2013, our average time to pay suppliers was 22.89 days, compared with 33.22 in 2012. We will be working hard to improve this even further in 2014.

WORKING RESPONSIBLY WITH OUR EXTERNAL STAKEHOLDERS

Prompt Payment Code

Payment of suppliers	2013	2012	2011	2010
Number of payments	821,262	560,738	369,510	576,940
Average time to pay (days)	22.89	33.22	28.66	27.21
Number/amount of compensation payments for late settlement	nil	nil	nil	nil

Looking forward

During 2013 we've put in place robust policies that will guide our responsible sourcing activities in future. Looking forward to 2014, our challenge is to put these policies into practice. By the end of 2014, we hope to be assessing all of our key suppliers against our new Responsible Business Minimum Standards and if necessary to update our Group Sourcing Policy in response.

At this point, we will have a much clearer understanding of our approved supplier base, which will make it easier for us to identify areas for further improvement.

Making a difference with our suppliers

Every day, customer-facing colleagues use thousands of disposable plastic bags to transfer cheques and slips from their branches to our clearing centres. We've worked with our suppliers to launch a recycling initiative which means around ten tonnes of plastic bags are now saved for reuse, rather than being sent to landfill.

We've partnered with suppliers and a specialist recycling business to make sure that all the mobile devices and memory storage cards used by colleagues at work are either recycled within the Group or sent for metal recovery when no longer required – with all the money received on their sale donated to our Charity of the Year.

Together with our logistics partner, we've introduced bank note recycling technology in our branches, which means fewer weekly deliveries to branches and a reduction in carbon emissions from delivery vehicles, because notes can be prepared for reuse in the branch.

One Construction Alliance

As part of our drive to work with suppliers who share our values and match our standards, we've created a strategic alliance with five contractors and one professional services provider, to effectively 'one team' when it comes to construction, commercial management, project management, capital planning and design management of our retail and office properties. The One Construction Alliance simplifies our processes, reduces costs and enables us to share best practice and establish common health and safety, environmental and ethical standards. In 2013, the One Construction Alliance has delivered more than 1,700 projects of varying scale – including the revitalisation of Lloyds Bank's 1,308 branches, the roll-out of 631 new TSB branches and the transformation of one of our largest contact centres in Glasgow.

Engaging our shareholders

By becoming the best bank for customers we believe we can help Britain prosper and deliver strong, stable and sustainable returns for our shareholders.

We already engage with our shareholders regularly at our AGM and through a full calendar of meetings and digital 'events', including webcasts. In line with our policy to use scarce resources, including paper, as sparingly as possible, we also offer shareholders the opportunity to view our reports online and to sign up for e-mail alerts.

The launch of our Helping Britain Prosper Plan in 2014 will give us the chance to talk with investors about our commitments, how we will measure progress against the Plan and how it will support our aims to add value for them. We will be running a series of dedicated shareholders' roadshows throughout 2014.

Working with trade unions

At present, four trade unions – Accord, GMB, Lloyds Trade Union (LTU) and Unite – collectively negotiate and consult on behalf of around 65 per cent of our colleagues. We believe we have strong, constructive and professional relationships with them all.

The four trade unions have collective bargaining rights on a broad range of employment-related issues, exceeding the legally defined statutory minimum rights.

How we work with the unions

Our Employee Relations (ER) team actively manages our relationships with Accord, GMB, LTU and Unite. Colleagues from Employee Relations work in every function and division across the Group; and a Group ER team provides overall strategic direction.

We're working closely with our unions as we implement our ongoing change programmes. We aim to involve them in discussions at an early stage.

We engage our unions on a range of business-as-usual activities, for example organisation changes and our annual Colleague Engagement Survey. Senior leaders from across the business meet regularly with the unions.

Listening to the media

The media is one of our stakeholders and it's important we listen to the views they express about the Group. Media sentiment can be a real-time indicator of public opinion and perception of the Group's activities and performance, and can reveal the level of understanding about the Group's aims and goals. As a result, we monitor media sentiment expressed towards Lloyds Banking Group and have set a target against which we assess our performance. Specifically, we have set the aim of achieving 65 per cent positive and balanced media coverage every month. This reflects our determination to increase stakeholder understanding and awareness of the Group's strategy to become the best bank for customers.

Paying and collecting tax

As a responsible business we understand how important it is to explain our approach to tax as clearly as we possibly can. Doing so reassures our stakeholders, including UK taxpayers, customers, colleagues and others, that our tax affairs comply fully with the law and are consistent with our approach to managing risk.

Paying tax

The Group's approach to tax is governed by a tax strategy and tax policy that has been approved by the Group Board.

The tax system applicable to the Group is complex and wide ranging; consequently we ensure that our decisions and actions regarding tax always reflect a considered assessment of the long-term costs and risks involved, including their impact on our relationships with stakeholders and the Group's reputation. We do not interpret tax laws in ways that we believe to be contrary to their intention and do not promote tax avoidance products to our customers.

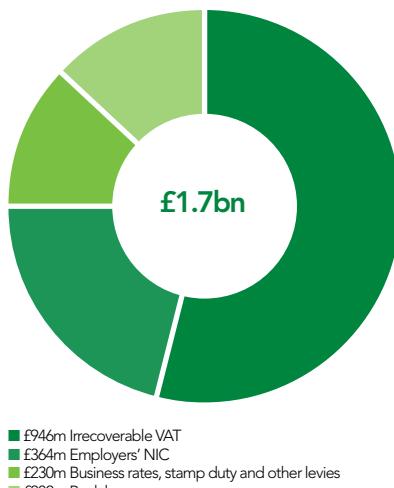
The Group acts in accordance with HM Revenue & Customs (HMRC) Banking Code of Practice and the Confederation of British Industry's statement of tax principles. We are open and transparent in our dealings with HMRC and all other tax authorities. Our tax policy has been shared with HMRC. The Group engages with HMRC in real time on all significant transactions to ensure a quick assessment of the tax position. As with any large group there are, from time to time, issues that may arise where we have a different view to HMRC and these are dealt with in a transparent, honest and professional manner.

Our Group Tax team supports the Group in ensuring our policies, procedures and controls relating to tax are appropriate and implemented in full.

Our contribution to tax revenues in 2013

We're one of the largest contributors to UK tax revenues. In the Pricewaterhouse Coopers LLP 2013 Total Tax Contribution Survey for the Hundred Group, we were rated as the third highest UK taxpayer, having paid taxes of £1.5 billion in 2012. In 2013, we paid a total of £1.7 billion in UK tax.

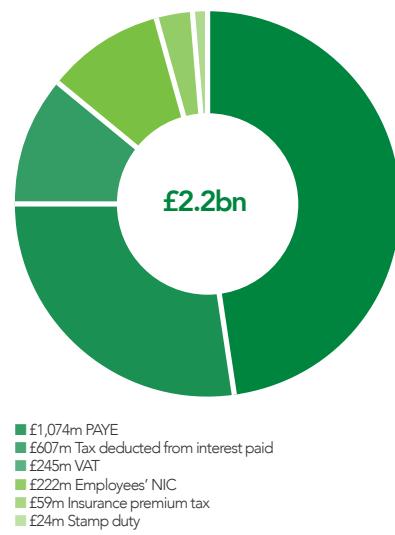
2013 taxes paid



Collecting tax

In addition to our own obligations as a taxpayer, we also collect tax on behalf of the UK Government. In 2013 we collected £2.2 billion, a small increase compared with £2.1 billion collected in 2012.

2013 taxes collected



The Group is now a UK-focused retail and commercial bank. Tax paid outside the UK totalled £7 million in 2013. We have exited, or announced our intention to exit, 21 countries and now operate in fewer than ten. As part of these exits we are closing down entities incorporated in territories that may be considered tax havens. For those that remain, for example in Jersey, there are non-tax reasons for having entities in these locations such as having customers and branches. UK tax rules ensure that as a UK-based business we pay full UK tax on profits arising in low tax jurisdictions unless there is a specific exemption.



How we do business responsibly

Customers, colleagues, shareholders and other stakeholders judge us as a responsible business largely on the basis of our performance. But responsible business doesn't just happen: it's vitally important to put the foundations and infrastructure in place to make it happen.

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► How stakeholder engagement works	p. 74
► Our material issues	p. 75
► Assurance statements	p. 78

RUNNING A RESPONSIBLE BUSINESS

Running a responsible business

We want to make responsible business the only business we do. Not an extra, but an essential: as much of a driver for sustainable success as the quality of our products and customer service.

Evolving our culture

We recognise that the biggest shift we need to make is cultural. We need responsible business to become business as usual for all our colleagues. The shift is already under way. Our strategy to be the best bank for customers has set the ball rolling, with our decision to incentivise service standards rather than sales sending a strong signal to colleagues.

The fines imposed on the Group in December 2013 for mis-selling products to customers are a stark reminder to us all of the need for positive cultural change. We believe that the Helping Britain Prosper Plan will accelerate this change, because for the first time, colleagues will now be working towards responsible business objectives as part of their 'day jobs'. The Plan will also give colleagues more reasons to be proud of the business they work with and more opportunities to make a personal contribution.

Making sure it happens

We need to make sure responsible business practices become a way of working from Board to branch and we already have an effective management structure in place to help us do this.

Our Responsible Business Committee

At the heart of our approach is the Responsible Business Committee (RBC), which develops our principles, sets priorities and drives the responsibility agenda forward by focusing on our five Responsible Business pillars:

- We put customers at the heart of our business
- We aim to be a great company to work for
- We invest in communities to help them prosper and grow
- We work to continually reduce environmental impact
- We work responsibly with our external stakeholders

Anita Frew, a non-executive board member, chairs the RBC, which includes representatives from key business divisions and functions. As chairperson, Anita reports to the Group Board. Many RBC members are also members of the Group Executive Committee. The RBC meets six times a year.

Our Group Responsible Business team

On a day-to-day basis, our Group Responsible Business team manages responsible business matters. The team will play a key role as we embed the Helping Britain Prosper Plan across our business.

Our Codes of Responsibility and Group values

To help colleagues understand what responsible business entails and benchmark their own behaviour, we launched our Code of Personal Responsibility and Code of Business Responsibility in 2012. Together they provide guidance for all colleagues about how to work in line with our three Group values – putting customers first, keeping it simple and making a difference together. The RBC governs both Codes. You can read about our Codes of Responsibility and corporate governance structures in more detail on the next page.

As a responsible business, we also adhere to the principles of the UN Universal Declaration of Human Rights, the International Labour Organisation's Fundamental Conventions and are signatories to the Equator Principles. You can read more about the Equator Principles on pages 70-71.

MANAGING RISK

Managing risk

Doing business responsibly requires us to manage risk effectively. We need to make the right decisions and do the right things for our customers, our shareholders and the Group.

We have a Group Risk Management Framework in place to steer the way we identify, prioritise and manage the risks we face. It ensures we tackle risk in a consistent way, using the best possible processes; and that every colleague understands their personal and collective risk-related responsibilities.

The framework, which meets all external and internal governance requirements, is 'owned' by our Risk chief operating officer. We use the framework to review all Group policies annually.

Risk as a strategic differentiator

Our Group strategy and risk appetite were developed together to ensure one informed the other in creating a strategy that delivers on becoming the best bank for customers whilst helping Britain prosper. We believe effective risk management can be a strategic differentiator, in particular through:

- Our conservative approach to risk – present in all parts of our business and driven from the top
- Our strong control framework – covering every business across the Group
- Effective risk analysis, management and reporting – continuous measurement and assessment of the key risks to our business
- Business focus and accountability – risk included as one of five key criteria in our Group Balanced Scorecard, against which all business unit and individual performance is judged

Policy and guidance

Certain sectors carry inherent social, ethical and environmental risks. Our policies and procedures support colleagues working in our relationship management and risks teams in understanding how to approach, assess and manage these risks.

Social, ethical and environmental risk management

Our Code of Business Responsibility states clearly that we do not finance any activities prohibited by international conventions supported by the UK Government. For example, the UK Government has ratified the Oslo Convention on Cluster Munitions and the Ottawa Treaty on Anti-Personnel Landmines. Consequently, we have not provided credit or investment finance to businesses believed to be in breach of these conventions. For credit activities, we have in place a highly prescriptive internal policy for all military goods and services transactions. For investment activities, the exclusion of cluster bomb and landmine companies applies to both our own investment assets, and to those we manage on behalf of our customers in funds where we determine the fund investment policies.

Environmental risk

Colleagues use our Environmental Risk Screening Tool as the primary mechanism to assess environmental risk. They're supported by our Environmental Risk team and benefit directly from the advice provided by a panel of independent environmental consultants in developing mitigation strategies. Our Environmental Risk team works very closely with our customer-facing colleagues to increase awareness of environmental risk. The team provides sector-specific environmental briefings to flag key issues to colleagues along with environmental legislative briefings to support our business customers. It also manages our membership of the Equator Principles.

Equator Principles

Lloyds Banking Group is a signatory to the Equator Principles, which provide a framework for determining, assessing and managing environmental and social risk in project finance transactions. In June 2013, we adopted the most recent version available – Equator Principles III – to ensure that the projects we finance and advise on are developed in a socially responsible way and reflect sound environmental management practices.

We recognise the importance of climate change, biodiversity and human rights. We believe that, wherever possible, we should avoid the negative impacts on ecosystems, communities and the environment. Where these impacts are unavoidable, they must be appropriately minimised, mitigated or offset.

Project finance often funds the development and construction of major infrastructure and industrial projects. We have a robust approach to the assessment, monitoring and reporting of such Equator Principle transactions

Please see over the page for our Equator Principles data, as required by Equator Principles III.

Equator Principles: transactions screened by Lloyds Banking Group

Transactions approved

Project finance advisory services		
By industry sector	31 December 2013	
	Number	Value
Infrastructure	2	£900m
Mining and metals	0	£nil
Oil and gas	0	£nil
Power	0	£nil
Telecommunications	0	£nil
Transport	0	£nil
Other	0	£nil

By region		
	Number	Value
UK	2	£900m
Europe	0	£nil
USA	0	£nil
Australasia	0	£nil

Project finance loans		
Loans by category ¹	31 December 2013	
	Number	Value
Category A	0	£nil
Category B	4	£491m
Category C	4	£197m

Loans by region		
	Number	Value
UK	5	£446m
Europe	1	£45m
USA	1	£169m
Australasia	1	£28m

By industry sector	31 December 2013	
	Number	Value
Infrastructure	3	£125m
Mining and metals	0	£nil
Oil and gas	1	£169m
Power	2	£59m
Telecommunications	0	£nil
Transport	2	£335m
Other		

Loans by country designation	31 December 2013	
	Number	Value
Designated country	8	
Non-designated country	0	
Category A, B and C loans with an independent review	8	

Project-related corporate loans and bridge loans

There were no project-related corporate loans or bridge loans completed in 2013.

¹ Category A: Projects with potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

Category B: Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C: Projects with minimal or no social or environmental impacts.

In 2013, we declined no transaction on environmental or social grounds, nor approved any with exceptions. This is due to early identification of issues by relationship managers.

GOVERNANCE

We're committed to do business responsibly at all times. To make this happen we've put in place a robust 'boardroom to branch' governance structure that covers every division and function in the Group.

Lloyds Banking Group Board

- ▷ **Chair:** Sir Winfried 'Win' Bischoff
- ▷ **Role:** stewardship of Group performance as a responsible business; discusses relevant issues regularly and signs-off strategy and the Helping Britain Prosper Plan commitments.

Group Executive Committee

- ▷ **Chair:** António Horta-Osório, Group Chief Executive
- ▷ **Role:** definition of strategy as a responsible business and the Helping Britain Prosper Plan commitments; supported by Responsible Business Committee; escalates relevant issues and recommendations to Board.

Responsible Business Committee

- ▷ **Chair:** Anita Frew, non-executive director; members include senior managers (several of these GEC members) from all divisions and functions
- ▷ **Role:** implementation of the Helping Britain Prosper Plan and responsible business objectives across our five performance pillars – customers, colleagues, communities, stakeholders, environment; custodians of our Codes of Responsibility.

Group Responsible Business team

- ▷ **Team leader:** Graham Lindsay, Responsible Business Director
- ▷ **Role:** day-to-day management and co-ordination of our responsible business activities.

External Stakeholder panel

- ▷ **Chair:** Robert Tate, Development Director, Membership, Business in the Community
- ▷ **Role:** independent analysis of the Group's performance as a responsible business and against the Helping Britain Prosper Plan commitments; recommendations about performance improvements and reporting coverage.

Codes of Responsibility

- ▷ Launched in 2012 (reviewed and updated in 2013)
- ▷ Code of Personal Responsibility – defines mandatory performance for all colleagues in line with our Group values and supports their decision making at work.
- ▷ Code of Business Responsibility – defines our performance as a business in line with Group vision and values.
- ▷ Both Codes are consistent with our five Responsible Business pillars: Putting customers first; becoming the best bank for colleagues; investing in communities; reducing environmental impacts; working responsibly with stakeholders.
- ▷ Codes of Responsibility training completed by 97 per cent of colleagues (at the end of 2013).

Risk policy framework

- ▷ The Group's rules, boundaries and appetite relating to all risks are set out in our Group Policy Framework, which meets all relevant external and internal governance requirements, including the UK Corporate Governance Code and our Board Governance Framework.
- ▷ The framework is owned and implemented by our Risk Chief Operating Officer, with support from the Governance and Control team.

About our Codes of Responsibility

We launched our Code of Business Responsibility and our Code of Personal Responsibility in 2012. These two Codes underpin our Group Ethics Policy and set out clear guidelines for responsible behaviour across our business.

The Codes are consistent with our values – putting customers first, keeping it simple and making a difference together. They cover the full range of our business activities, our relationships with customers, colleagues, communities and external stakeholders, as well as our environmental responsibilities.

The Codes provide practical guidance for colleagues (and increasingly suppliers) on a day-to-day basis. They explain what our stakeholders expect from us and what colleagues can expect of each other. They define the standards we require, collectively and individually. They take into account material issues affecting our business, such as the requirements of the Bribery Act 2010. We update the Codes every year to reflect changes to our business and new concerns.

Annual review of the Codes

This year, we've completed the first full review of the Codes since their launch, with input from stakeholders across the Group, notably policy owners and colleagues working in Risk and Corporate Brand. We asked all who participated in the writing of the Codes to review them and to either sign-off their content as fit for purpose or update it as necessary. As a result of the review, no material changes were made to the content but the following actions were taken:

- We updated the information pertaining to our regulators
- We added more detail on the Chartered Banker Foundation Standard, highlighting the fact that more than 50,000 customer-facing colleagues achieved the standard in 2013
- We updated the sections relating to policies, such as Fraud and Financial Crime, Social Media and Tax

During 2014 we will undertake another comprehensive review and update of the Codes. We'll also ensure that they reflect our ongoing Cultural Assessment initiative.

Training colleagues on the Codes

We introduced training for all colleagues on the Codes in early 2013 and by the end of the year 97 per cent of all colleagues (including the GEC and Board) had completed the training, which uses 'workplace scenarios' to help colleagues understand the Codes in context and consequently make the best decisions when faced with ethical dilemmas.

Embedding the Codes

This year, we've embedded the Codes into our HR processes, including performance management. Colleagues' performance is now assessed in terms of what they achieve and 'how' they achieve it against the Codes and our Group values.

We're focused on ensuring our Codes are being embedded across the business and with all colleagues. Our most recent Colleague Engagement Survey results suggest that we are making progress against this. 76 per cent of participants feel we are a responsible business – up 14 percentage points from last year and 9 percentage points above the UK average. This indicates, amongst other things, that the vast majority of colleagues believe that the Group is committed to environmental and social responsibility and to ethical business decisions and conduct.

We know there is more to do to embed the Codes and in 2014 we will continue to explain to colleagues what the Codes mean and provide them with information and materials so they can use them effectively in their day-to-day roles.

We'll redevelop and roll-out updated Codes training to all colleagues during 2014 and start work on further training for 2015. It's important that colleagues complete annual training on the Codes so they know what is expected of them and how to get support through resources such as our Whistleblowing line if they need it.

Review and update of Group Ethics Policy

This year our Group Ethics Policy was reviewed and updated. The Codes of Responsibility underpin the Policy, so both the annual review of the Codes and the Ethics Policy updates were carried out in parallel. The new Policy and Codes were sent out for consultation across the business, to stakeholder groups including our Risk team. Feedback was taken into account before we published the new Policy and Codes on our Intranet.

Our Statement of Responsible Investment

To ensure all of our investment assets are managed in line with the Code of Business Responsibility, this year our investment businesses have adopted a comprehensive Responsible Investment Statement.

UN Principles for Responsible Investment

The Group is a signatory to the UN Principles for Responsible Investment, an initiative backed by more than 1,000 investors with combined assets under management of USD\$35 trillion. As a signatory, we're now working in line with the Principles, ensuring that we take environmental, social and governance issues into account when we make investment decisions. We're also actively encouraging other businesses to sign up to the Principles, by using our voting rights and meeting with around 120 businesses in 2013 alone to encourage them to ensure their corporate governance and environmental risk management processes are in line with best practice.

HOW STAKEHOLDER ENGAGEMENT WORKS

How stakeholder engagement works

We can't achieve long-term success on our own. In line with our strategy to be the best bank for customers, we have to understand what they want from us, in terms of our products, service standards and broader contribution to their communities. We also have to understand our other stakeholders' concerns and what they expect from us, so it's important that we engage with them all.

Finding the best balance

As well as taking our stakeholders' concerns and views into consideration, we also have to identify, understand, rank and manage the risks and opportunities that matter most to our business, today and in future.

Prioritising stakeholders' concerns and the many different risks and opportunities we face, is a complex balancing act. We try to find the best possible balance by engaging with stakeholders on a continuing basis. We know from experience that their ideas and insights can help us plan for the future more effectively, improve our performance year to year and report more accurately, relevantly and transparently about our achievements and challenges.

Our Stakeholder Panel

We talk with our external stakeholders in many different ways, including panels, forums and surveys. Their views help us make more informed and balanced decisions – for example, in shaping the Helping Britain Prosper Plan commitments and aspirations. Our Responsible Business Stakeholder Panel also plays an advisory and assurance role during the planning and drafting of our Responsible Business Report. You can find out more about the Stakeholder Panel and read their Assurance Statement on page 78.

We tailor our engagement strategy to make sure we reach the stakeholders we want to reach in ways that give them the best opportunity to share their views and give us a clear understanding of what these are.

How our stakeholders helped shape our Responsible Business Report

This year, a number of different stakeholder groups have helped us define the non-financial issues most material to our business and of greatest concern to them.

Those who participated completed a questionnaire on issues considered material by them and us in recent years and reported on by our peers. These issues were categorised in six areas: customers, colleagues, communities, governance, stakeholders and the environment, with up to ten potential areas of concern listed under each. Participants were asked to rank these in terms of importance and to express their own concerns if they were not listed.

Representatives from four stakeholder groups completed the survey:

- ▷ The Lloyds Banking Group Responsible Business Committee – offering a cross-section of opinion from senior business leaders, including GEC and board members across the Group
- ▷ The Lloyds Banking Group Stakeholder Panel – offering a cross-section from external stakeholders
- ▷ The Lloyds Banking Group Employee Panel – representing the views of colleagues
- ▷ The Lloyds Banking Group graduate trainees – also representing the views of colleagues

To deepen our understanding of materiality, we also drew on the findings of the Sustainable Business Monitor research, completed by Ipsos MORI during 2013.

What our stakeholders told us this year

Analysis of the responses to our stakeholder questionnaires highlighted the following issues as most material to the Group's non-financial performance at present:

- ▷ Colleagues' compliance with our Codes of Responsibility
- ▷ Changing our working culture to reflect our Group values
- ▷ Working with government and regulators
- ▷ Engaging employees in our vision and responsible business activities

- ▷ Changing the way we incentivise and reward colleagues to focus on customer outcomes
- ▷ Addressing our past mistakes
- ▷ Reducing and dealing effectively with customer complaints

They also provided valuable insights about the issues that matter most to them, highlighting a number of issues as 'high priority'. Their additional 'high priority' concerns were:

- ▷ Our support for customers in financial difficulty
- ▷ Our approach to risk management
- ▷ The way we manage our brand and corporate reputation

Stakeholders highlighted a longer list of 'moderate' and 'low' priority issues. These included: details of our Environmental Action Plan and our performance against it; details of our remuneration policy; our work to support young people in local communities; our investment in building financial capability; how we protect customer data; colleagues' engagement in community activities; and diversity and inclusion across the Group.

What we learnt from the Ipsos MORI Sustainable Business Monitor* research

The research highlighted a number of valuable insights; some specific to the Group, others more general in nature:

- ▷ Around half (48 per cent) of British adults don't believe that the profits of large companies help to make things better for customers[†]
- ▷ Although the vast majority (80 per cent) believe businesses can be both profitable and responsible[†]
- ▷ British adults increasingly judge businesses' reputations by customer service, their honesty and integrity and their quality of products and services[†]
- ▷ Around 4 in 5 (82 per cent) of British adults have not heard of any of Lloyds TSB's community initiatives in the last year[†]

* Ipsos MORI's Sustainable Business Monitor. During 2013, 995 GB adults 16+ were interviewed. Fieldwork dates: 16–22 August 2013. Data is weighted to the offline population profile.

[†] Ipsos MORI's Sustainable Business Monitor. During 2013, 1,003 GB adults aged 16–75 were interviewed online. Fieldwork dates: 9–12 August 2013. Data is weighted to the online population profile.

Our material issues

The chart below shows all of the issues we considered during our materiality review, and plots the views of our stakeholders (our stakeholder panel, our employees and our graduates) against the views of our Responsible Business Committee.

Issues in the top-right section of the matrix are deemed to be most significant for our business based on stakeholder feedback, and consequently receive most coverage in our report.

A full account of our materiality process in 2013 can be downloaded at: www.lloydsbankinggroup-cr.com



	Importance to the business		
1	Financial accessibility/inclusion	25	Supporting IT literacy – helping people get on line
2	Financial crime and anti-money laundering (inc. cyber crime)	26	Environmental Action Plan (management of our operational footprint)
3	Protecting customer data	27	Supporting transition to low carbon economy
4	Customer satisfaction	28	Environmental incidents
5	Customer complaints	29	Colleague engagement on Environmental Action Plan
6	Supporting customers in financial difficulties	30	Environmental Risk Screening (Credit)
7	Addressing past mistakes	31	Equator Principles - a framework for assessing environmental and social risk in project finance
8	Employee remuneration (inc. exec, equal pay and employment rights)	32	Supplier management
9	Our work on employee relations	33	Diversity of suppliers (local, social enterprises etc)
10	Employee objectives - sales vs. service targets	34	Suppliers sustainability practices and policies
11	Learning and development	35	Government (inc engagement, political donations etc)
12	Health and safety	36	Media relations
13	Wellbeing (employee care)	37	Regulators
14	Culture and values	38	Tax
15	Engaging employees	39	Cross sector collaboration on Responsible Business issues
16	Diversity and inclusion	40	Responsible Business Governance forums
17	Community investment total (£)	41	Risk management
18	Charitable donations (across all regions of the UK)	42	Non financial KPIs
19	Financial capability (education)	43	Long-term commitments
20	Social enterprise	44	Codes of Responsibility
21	Employability	45	Human rights policy and approach (inc. colleagues and supply chain)
22	Colleague engagement with communities (inc. volunteering, mentoring etc)	46	ESE (Environmental, Social and Ethical Policies)
23	Supporting young people	47	Brand and Reputation
24	High Street regeneration	48	Colleague grievances (inc. whistle blowing)

HOW STAKEHOLDER ENGAGEMENT WORKS

How we've used what we learnt

We've used what we learnt from our stakeholders and through research to help us identify and prioritise the material issues covered in this report. Their insights have also helped us to focus our responsible business activities.

Responsible Business pillar	Who we engaged with	How we engaged	How we benefited and responded to stakeholder feedback in 2013
We put customers at the heart of our business	Customers	Ipsos MORI Sustainable Business Monitor	Survey results were used in our materiality review and presented to our Responsible Business Committee and independent Stakeholder Panel to inform their decisions (see page 74).
	Charities and other financial services businesses	Leading an industry steering group Helping Alzheimer's Society to create its Dementia-Friendly Financial Services Charter	We led a steering group of 24 financial services businesses to help develop the Financial Services Charter and also secured support for it from the British Banking Association. Since its launch on 20 October 2013, we have trained 25,000 colleagues to serve as 'Dementia Friends' in branches (see page 28).
	Customers	Root Cause Analysis of customer complaints	Findings from this exercise helped us develop our Conduct Strategy and supported crucial changes in the way we work, which have helped us reduce customer complaints by more than 1,500 a month (see page 30).
We aim to be a great company to work for	Colleagues	Engagement Survey open to all colleagues	Survey results have provided insights into colleagues' attitudes and behaviour. These have helped us to shape our HR policies and responsible business activities (see page 35).
	Colleagues	Groupwide cultural assessment survey (first phase)	Survey findings will help us become more customer-focused and, in the longer term, inform our plans to embed customer-centric behaviours and processes across the Group (see page 34).
	Colleagues and external health campaigns	Colleague wellbeing campaigns Refreshed colleague Intranet	We've collaborated with BUPA, Health Management Ltd and other partners to promote general health and wellbeing. We've also refreshed our Intranet to promote a number of external health campaigns and to help colleagues assess and improve their physical wellbeing (see page 39).
We invest in communities to help them prosper and grow	Residents, colleagues and community organisations	Partnership activities and consultation with businesses, charities and local community organisations	This year, 24 senior managers from the Group were seconded as Business Connectors – using their experience and expertise to help build productive relationships between charities, community groups and local businesses. Their involvement enhances our local presence and brand reputation (see page 47).
	Colleagues and external partners	The Big Lunch – a community-based collaboration between Halifax and the Eden Project	Halifax colleagues volunteered around 500 days to help organise 101 lunches across Britain – bringing local people together to strengthen community relationships (see page 47).
	Community organisations and young people in local communities	Supporting anti-homophobia campaigns in local communities through our work with Stonewall	We've helped Stonewall recruit 75 Youth Volunteers to spearhead anti-homophobia campaigns targeted at young people in schools, colleges, universities and across wider communities (see page 46).

Responsible Business pillar	Who we engaged with	How we engaged	How we benefited and responded to stakeholder feedback in 2013
We work responsibly with our external stakeholders	Trade unions (Accord, GBM, LTU and Unite)	Direct consultation with our unions	We continue to work closely with our unions (see page 66). This year, representatives from the unions attended our One Group Convention and we attended the unions' conferences.
	UK Government	Engagement with government and Parliamentary bodies including the Parliamentary Commission on Banking Standards, the Treasury Select Committee, HM Treasury and regulators and the EU	Consultation has enabled us to keep abreast of issues material to the Group and to our industry, as well as ways to influence change to transform banking in the UK. Our participation in government initiatives supports the UK Government's economic objectives and our commitments to help Britain prosper (see page 62).
	Investors	Dialogue at board level	Through our contact with corporate investors we encourage them to follow best practice in corporate governance and to support responsible investment initiatives (see page 58).
	Suppliers	The One Construction Alliance – an alliance between Group Property and six key suppliers	The One Construction Alliance has improved the way we approach construction and refurbishment projects – simplifying processes, reducing costs and allowing us to ensure common health and safety, environmental and ethical standards (see page 66).
We work to continually reduce environmental impacts	Colleagues	Sustainability network	Thanks to the efforts of around 1,000 colleague volunteers, we've engaged colleagues in our Environmental Action Plan through our Sustainability Network (see page 52).
	Environmental networks and forums	A review of European energy and climate policy undertaken by Scottish Widows Investment Partnership and the Institution Investors Group on Climate Change	The review will help to ensure that governments understand fully how their energy and climate policies can be framed to attract sustained support from potential investors (see page 55).

STAKEHOLDER PANEL ASSURANCE STATEMENT

The independent Stakeholder Panel's statement for the 2013 Responsible Business Report

The objectives and scope of the Panel's activity

The Panel's objectives were:

- To review the 2013 Responsible Business (RB) Report and provide a statement of the extent to which the Panel feels it meets the needs of the stakeholder groups which they represent
- To take an independent stakeholders' approach so that the RB Report is seen to reflect and question Lloyds Banking Group's (LBG) performance against those banking sector issues that concern its stakeholders

The scope of the Panel's review of the RB Report is limited to matters relating to its UK presence as the Group operates almost wholly in the UK. The Panel's remit for this statement was limited to the published 2013 RB Report and did not cover any other aspects that may be featured in the RB portal. However, based on observations the Panel made on broader RB communication matters, this statement includes suggestions from the Panel for possible changes and improvements to the ways in which it communicates its RB approaches. This is the second year in which the Panel has undertaken this activity.

The composition of the Panel

The Panel was selected by The Virtuous Circle Ltd (TVC) acting independently of LBG. TVC took responsibility for establishing, managing and facilitating the Panel, including providing it with relevant research material.

The Panel consisted of:

- Robert Tate, Principal Consultant, Engagement, Business in the Community – Chair of the Panel
- Dr Graham Dietz, Senior Lecturer, Durham University Business School
- Polly Falconer, Chair of Trustees, Graft Thames Valley
- Philippa Foster Back, CBE OBE, Director, Institute of Business Ethics
- Lynda Simmons, Head of Sustainability, Mitie Group plc
- Jennifer Walmsley, Director, Hermes Fund Managers

The Panel was selected to reflect stakeholder interests covering the community, the supply chain and the investment community, as well as addressing issues of ethics, trust and sustainability. The Panel's personal and business interests meant they represented the views of both retail and business customers.

To ensure their independent status, none of the Panel received any remuneration from LBG, although, in recognition of both the time and effort involved for Panel members, LBG made an honorarium payment on behalf of each Panel member to a charity of their choice.

The basis for this statement and its limitations

The Panel approached its work mindful of Accountability's AA1000AS Assurance Standard's key principles of materiality, inclusivity and responsiveness of reporting. In its review it sought to assure itself that the RB Report met stakeholders' needs with reference to these principles. In this context, the Panel was aware that LBG had continued with its use of PWC to undertake a full verification of the data included within the RB Report and welcomed this as a means of providing stakeholders with further reassurance for the Report.

In its approach, the Panel considered only the content of the 2013 RB Report and not other areas within LBG's RB reporting hub.

LBG's management took responsibility for the preparation and presentation of information and data within the RB Report. The Panel's responsibility in undertaking its review is only to LBG's management, in accordance with the scope of work agreed with them, and not to any other person or organisation.

The process adopted by the Panel

To enable the Panel to develop views of the 2013 RB Report, it was provided with several research studies, undertaken by TVC on behalf of the Panel:

- A review of the 2012 RB Report, benchmarked against the RB equivalent reports of LBG's four major UK banking competitors and two overseas banks that have achieved Dow Jones Sustainability Index 'leadership' in their sector
- Findings from focus group interviews with LBG colleagues, to assess their perceptions of LBG's RB
- An assessment of the materiality of LBG's RB elements (both by LBG colleagues and by Panel members)
- Interviews with representative external stakeholders about their view of LBG's RB reporting
- Findings from the Ipsos MORI omnibus survey sampling the views of the UK general public, featuring comments on LBG's RB approach
- Mystery shopper exercises by the Panel in LBG branches and in those of its main UK competitors
- Results for the RB related questions from LBG's 2013 Colleague Engagement Survey

The materiality exercises were used to inform LBG's management of the issues that should be majored upon in the RB Report, recognising that the views on materiality will vary depending upon the standpoint of the stakeholder in question (Panel members took a broad external view, whilst colleagues focus on those areas within their role and control).

In addition to receiving input from the research studies referred to above, the Panel held interviews with five members of LBG's Responsible Business Committee, including its chair (the non-executive director with board responsibility for RB). These interviews helped the Panel assess the level of board and senior management commitment to RB and the Panel welcomed the high level of openness and transparency of the discussions with the committee members.

Subsequently, the Panel assessed the RB Report content in its various draft stages. It provided input to LBG's management based on early versions, which were adopted by management and incorporated within the final version. As a result of its review, the Panel drew conclusions about the extent to which the 2013 RB Report met the principles of materiality, inclusivity and responsiveness.

In all, the Panel held four meetings, all held in LBG conference rooms. Panel members achieved 83% attendance in person (and in the event of their being unable to attend, provided input based on the papers they received in advance of the meeting).

At the conclusion of its work, as well as providing this statement for inclusion in the 2013 RB Report, the Panel provided the RB Committee with a Management Commentary which members of the Panel discussed with the RB Committee.

The Panel's conclusions

In its second annual statement, the Panel wishes to acknowledge the extensive access given to it by LBG's management with RB responsibility, and the open discussions that were held with members of the RB Committee. The levels of transparency and co-operation offered meant the Panel covered a wider range of RB activities than might be considered reasonable given the amount of time available. The Panel also appreciates LBG's decision to publicly respond to the Panel's comments in this statement.

The Panel acknowledges that LBG's development of its RB strategy and agenda is an ongoing journey. In the Panel's view there have been substantial improvements made in the 2013 Report, building on those that were initiated in the 2012 Report. The Panel also recognises that LBG's RB development is dynamic and continues to expand to enable it to address both current and future issues.

The Panel's brief was to consider the 2013 RB Report in terms of its materiality, completeness and responsiveness to the interests of stakeholders:

► **Materiality** – the Panel assessed what it considered to be the material issues that it considered essential on which LBG should provide more detailed commentary in its Report. The Panel used these issues as the basis for its analysis of the contents of the Report, and found that the Report addressed them satisfactorily. Other RB matters were addressed in less detail in the Report, and the Panel found these comments added to the materiality of the Report

► **Inclusivity** – during its work, the Panel communicated to LBG's RB management matters that it expected to be included within the Report, based on the experience of the stakeholder groups that they represented. Where the initial draft appeared to require additional reporting, these areas were communicated by the Panel. These were addressed by LBG's management within the Report to large extent in the final version. The Panel considers that the inclusivity of reporting of material issues within the Report is fair and balanced

► **Responsiveness** – the Panel judged the responsiveness of the reporting at two levels. Firstly, it found LBG's management responded highly proactively to its comments on issues that should be addressed within the Report. Secondly, in the discussions with members of the RB Committee, the Panel appreciated that its comments were accepted during these discussions and were acted upon subsequently. These areas of responsiveness led the Panel to consider the Report had been developed in a responsive manner

The Panel was pleased that, building upon the 2012 RB Report, the 2013 Report uses a 'tone of voice' which is more accessible to the wide range of stakeholders that may wish to read the Report. It recommended that this tone of voice should continue to be used in future reports, and utilised in wider RB communications.

Nevertheless, there are areas which the Panel recommends that LBG could usefully focus upon for further development or improvement of the Report.

The Panel welcomes the mention in the Report of the link between the Responsible Business programme and LBG's business model and strategy but recommends that this link should be more visible in LBG's communications channels, in addition to within the RB Report. This wider communication is particularly relevant since the RB Report shows strong links to LBG's five pillars for responsible business, which are the platforms for LBG's Codes of Responsibility.

The Panel recognises the improved performance across many RB elements, not just year-on-year but also over the past few years. It recommends that for the 2014 reporting, there could be some consideration of how this performance has improved over time – 'the RB journey' – to demonstrate to stakeholders that this programme has been a longstanding LBG commitment. In this context, for 2014 reporting there should be greater use of data and case studies that either demonstrate or illustrate year-on-year percentage improvement and is normalised especially to take account of the anticipated changes in size as a result of the TSB divestment.

The Panel considers that the introduction of materiality in 2013 has provided a greater degree of focus on the key challenges facing LBG. It considers that it was important for the chief executive to acknowledge the importance of legacy issues in his letter in the Report. For many stakeholders, these legacy issues continue to affect the levels of trust in LBG.

In addition, the Panel recommends that for 2014 reporting there should be greater commentary about the Company's 'cultural transformation', enabling better discussion about how the actions being taken are modifying the Group's business culture.

STAKEHOLDER PANEL ASSURANCE STATEMENT

The successful implementation of these 'how' actions will ensure that RB will be culturally sustainable within LBG.

The Panel welcomes the introduction of the 'How to find issues that matter to you' navigation page. However, as in 2012, the 2013 Report requires the reader to read the complete Report to assess the Company's RB performance, although there will be a summary version of the Report available. For the 2014 reporting, there should be a highlights section at the beginning of the Report for those readers that seek a quick summary of LBG's performance. If possible, a 2013 highlights section should be included in the RB portal in time for the launch of the 2013 Report. In addition, there is a need to provide some summary highlighting within sections.

The Panel welcomes the introduction of the Helping Britain Prosper Plan as a means of succinctly and simply communicating LBG's RB commitments. It is hoped that the Plan should be communicated through a wider range of stakeholder channels, as well as in the RB Report. Ideally this should be achieved through some branded RB communications although this may be somewhat difficult if the Helping Britain Prosper Plan is seen to relate to the Group rather than be owned by the individual brands. Also it suggests that when LBG's strategic review is completed, the Company should commit to a regular review of these commitments and their metrics via subsequent RB Reports. This will ensure they remain pertinent to the objective of 'Helping Britain Prosper' through economic and social changes.

The Panel confirms that it was able to act in an independent manner and that it had open access both to LBG management and to relevant documentation. In conclusion, the Panel considers that the Report meets the principles of materiality, inclusivity and responsiveness to a high degree, with room for continued improvement. As a consequence, the Panel considers the Report to be a fair description of the RB activities being undertaken within LBG, and adequately describes LBG's intentions to continue with these programmes.

Suggested areas for change or improvement in broader RB communications

These suggestions are based on the knowledge gained by the Panel from its review of research papers including those based on stakeholder feedback. The Panel suggests LBG should consider these areas for improvement or change in its RB communications over the future years. The Panel would welcome LBG's comments on the following suggestions:

1. The Panel believes it is important to enable all stakeholders – investors, colleagues, customers, suppliers, communities, government and regulators – to appreciate that the Group's Responsible Business programme fulfils a key role in the Group's journey to achieve its stated goal of 'being the best bank for customers'. However, it was clear to the Panel that, outside of the RB Report, LBG's RB approach and impact has a low level of awareness amongst customers, colleagues, communities and suppliers. The Panel suggests that LBG should endeavour to communicate its RB activities in simple and succinct messages to its stakeholders, including using, where appropriate, communications from its individual brands.
2. The Panel is aware of the intention to align the new Responsible Business scorecard with colleagues' Balanced Scorecards (BSC), with elements of RB included within it. This will be a significant factor in LBG's 'cultural transformation'. However, it became apparent during the course of the Panel's work that more could be done to embed RB within the business. Suggestions from colleagues included a simple and succinct RB summary, as well as giving related RB objectives greater visibility in the BSC. Activities such as these, linked to improved customer communications about RB, could be invaluable to ensure the success of LBG's continuing RB programme.
3. It was apparent to the Panel that there is use of differing terminology related to RB within LBG. The Panel suggests that agreeing some standards for the use of RB terminology may help improve embedding RB amongst colleagues. It may be that the RB Committee may consider whether Responsible Business is the most appropriate name for a programme that is increasingly being positioned as 'The Way We Do Business' in LBG.
4. The Panel observed that there are low levels of awareness of policies that may relate to RB activities, and there are few policies available in the responsibility section of the corporate website (although the two Codes cover a lot of aspects). As examples, it may be of value to feature customer-specific policies, as well as community-related and colleague development policies. The Panel suggests that featuring more policies publicly in its website may give greater credibility to LBG's governance of RB, and build trust as a consequence.
5. The Panel is aware of the forthcoming Strategic Review, expected to be made public in autumn 2014. It considers it is important that this review should include consideration of RB matters, ensuring that RB is seen as part of LBG's business processes, rather than being seen as a standalone. In this context, the role of RB in helping to build trust and reputation with stakeholders should be seen as the business rationale for inclusion within the Strategic Review process.

Stakeholder Panel
5 February 2014

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF LLOYDS BANKING GROUP PLC

The Directors of Lloyds Banking Group plc ("LBG") engaged us to provide limited assurance on the information described below and set out in LBG's 2013 Responsible Business Report and Data Sheet.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol  in LBG's 2013 Responsible Business Report and Data Sheet (the "Selected Information").

The Selected Information and the Reporting Criteria against which it was assessed are summarised in the table below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the 2013 Responsible Business Report.

Selected Information	Reporting Period
Community investment	01/01/2013 – 31/12/2013
Average formal learning days per FTE	01/01/2013 – 31/12/2013
Total energy consumption	01/10/2012 – 30/09/2013
CO ₂ e emissions – Scope 1, 2, 3 & Total	01/10/2012 – 30/09/2013
Operational waste	01/10/2012 – 30/09/2013
Percentage of operational waste diverted from landfill	01/10/2012 – 30/09/2013
Water consumption	01/10/2013 – 30/09/2013

We assessed the Selected Information using LBG's Reporting Criteria as set out on LBG's website at
<http://www.lloydsbankinggroup-cr.com>¹

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions information, in accordance with the International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements' (ISAE 3410), issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our Independence and Quality Control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK&I) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our work was carried out by an independent and multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques. The nature, methods and precision used to determine non-financial information can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 28 February 2014.

¹ The maintenance and integrity of LBG's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on LBG's website.

Work done

Considering the risk of material misstatement of the Selected Information, we:

- ▷ made enquiries of LBG's management, including the Responsible Business team and those with responsibility for Responsible Business management and group Responsible Business reporting;
- ▷ evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing a limited number of sites, selected on the basis of their inherent risk and materiality to the group, to understand the key processes and controls for reporting site performance data to the Responsible Business team;
- ▷ considered the significant estimates and judgements made by management in the preparation of the Selected Information;
- ▷ performed limited substantive testing on a selective basis of the Selected Information at corporate head office and in relation to a limited number of sites to check that data had been appropriately measured, recorded, collated and reported; and
- ▷ evaluated the disclosure and presentation of the Selected Information.

LBG's responsibilities

The Directors of LBG are responsible for:

- ▷ designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- ▷ establishing objective Reporting Criteria for preparing the Selected Information;
- ▷ measuring and reporting the Selected Information based on the Reporting Criteria; and
- ▷ the content of the 2013 Responsible Business Report.

Our responsibilities

We are responsible for:

- ▷ planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- ▷ forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- ▷ reporting our conclusion to the Directors of LBG.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information in the 2013 Responsible Business Report has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say above.

This report, including our conclusions, has been prepared solely for the Directors of LBG as a body in accordance with the agreement between us, to assist the Directors in reporting LBG's Responsible Business performance and activities. We permit this report to be disclosed in the 2013 Responsible Business Report, to enable the Directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and LBG for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 February 2014

DISCLAIMER

FORWARD LOOKING STATEMENTS

This report contains certain forward looking statements with respect to the business, strategy and plans of the Lloyds Banking Group and its current goals and expectations relating to its future performance. Statements that are not historical facts, including statements about the Lloyds Banking Group or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Examples of such forward looking statements include, but are not limited to: projections or expectations of the Group's future structure and expenditures; statements of plans, objectives or goals of the Group or its management including in respect of certain targets; statements about the future business and economic environments in the United Kingdom (UK) and elsewhere including, but not limited to, future trends in demographic developments; statements about regulation or technological developments; and statements of assumptions underlying such statements.

Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; changing demographic developments including mortality and changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside the Group's control; terrorist acts and other acts of war or hostility and responses to those acts, geopolitical, pandemic or other such events; changes in laws or regulations; the policies and actions of governmental or regulatory authorities in the UK, the European Union (EU), the US or elsewhere; requirements or limitations imposed on the Group as a result of HM Treasury's investment in the Group; market related trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; the actions of competitors, including non-bank financial services and lending companies; and the success of the Group in managing the risks of the foregoing.

The forward looking statements contained in this report are made as of the date hereof, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this report to reflect any change in Lloyds Banking Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

INFORMATION Sourced FROM THIRD PARTIES

Some of the information in this report is expressly based on information available to it from third party sources. No representation or warranty is made by Lloyds Banking Group as to the accuracy or completeness of such information.

LLOYDS
BANKING
GROUP



Contact us

We would like to hear from you.
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You can also send an e-mail to
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This Report is available in
alternative formats on request.

