



LLOYDS
BANKING GROUP



RESPONSIBLE BUSINESS UPDATE

Lloyds Banking Group
2017

About us

We are a financial services group with approximately 27 million customers and a presence in nearly every community. Our main business activities are retail and commercial banking, general insurance and long-term savings, provided under recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. Our shares are quoted on the London and New York Stock Exchanges and we are one of the largest companies in the FTSE100 index.


Our purpose is to help Britain prosper, using our scale and reach to help people, businesses and communities across the UK.

About this Responsible Business Update

This Update summarises our performance as a responsible business. It covers the period from January to December 2017 but, when relevant, also refers to activities and events before and after this period. Its contents are based primarily on our 2017 Materiality Survey, but it also contains information that we consider relevant to our performance as a responsible business or that meets the requirements of external benchmarks and frameworks.



Our cover features Betty from Airdrie: one of more than 708,000 people, small businesses and charities we helped to improve their digital skills during 2017. Thanks to training at one of our branch Digizones, Betty is now banking online for the first time and communicating digitally with greater confidence. You can read more about how we're helping to Build Britain's digital skills on page 16.

 View other information about Lloyds Banking Group at www.lloydsbankinggroup.com



2017 Group highlights

£5.3bn

+24%

Statutory profit before tax increased significantly

£8.5bn

+8%

Underlying profit increased

245bps

+55bps

Strong CET1 capital generation pre ordinary dividend and share buyback

18bps

+3bps

Asset quality ratio remains strong, reflecting effective risk management and the continued benign credit environment

46.8%

-1.9pp

Our market leading cost:income ratio further improved

62.0pts

-0.7pts

Our net promoter score, a respected measure of customer satisfaction, remains strong

Our Group strategy

Our new strategy will enable us to seize new opportunities by building on our existing competitive advantages. The transformation planned will ensure that we become a digitised, simple, low risk, customer focused, UK financial services provider.

OUR PURPOSE

Helping Britain Prosper

OUR AIM

Best bank for customers, colleagues and shareholders

OUR BUSINESS MODEL

Digitised, simple, low risk, customer focused, UK financial services provider

Our strategic priorities



Leading customer experience Driving stronger customer relationships through best-in-class propositions while continuing to provide our customers with brilliant servicing and a seamless experience across all channels.

Digitising the Group Deploying new technology to improve our efficiency and make banking simpler and easier for customers.

Maximising the Group's capabilities Aligning the Group's capabilities as the sole UK banking and insurance provider to deepen customer relationships and grow in targeted segments.

Transforming ways of working Enhancing colleague skills and processes, investing in agile working practices and embracing new technology to drive better outcomes for customers.

 Find out more about our financial performance in our **2017 Annual Report**

A responsible business helping Britain prosper

We already help millions of customers with their financial needs but, as a responsible and responsive business, we want, and need, to play a bigger part in making Britain a more inclusive and prosperous country, by addressing key social and economic issues. We know that, when Britain prospers, we can prosper too.

The past 12 months have seen unprecedented changes in Britain and around the world. The uncertainty this has created looks set to continue, so it is more important than ever that we fulfil our purpose as a responsible, sustainable business – helping people, businesses and communities in Britain to prosper, despite the challenges they currently face. The challenges are related to housing, employability, starting and growing a business, planning for later life, tackling social disadvantage and championing diversity and inclusion.



As a UK focused retail and commercial bank, we are inextricably linked to the British economy. Our success is the British economy's success and we are fully committed to help people, businesses and communities in Britain prosper.

António Horta-Osório
Group Chief Executive

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Underpinning our purpose, strategy and our Helping Britain Prosper Plan.

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- 20 **Communities**

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A sustainable and responsible approach is integral to how we operate.

Doing business responsibly

Doing business responsibly underpins our purpose, strategy and our Helping Britain Prosper Plan. Our Values, Code of Responsibility and our Group policies and standards define and require us to do business responsibly. Looking beyond our Group, we actively support major international codes and conventions related to doing business responsibly, including the United Nations (UN) Global Compact. We comply with the requirements of the UK Modern Slavery Act 2015 and have a zero-tolerance stance to human rights abuses.

 Read our **2017 Anti-slavery and trafficking statement**
www.lloydsbankinggroup.com

We actively support major national and international codes and conventions related to responsible business, including the UN Global Compact.



Responsible governance

Good governance requires an effective structure and the combined effort of engaged and well-informed colleagues. It's essential that good governance is embedded into the processes, planning and delivery of the Group's objectives and strategy.

Our governance structure extends from our Group Board and Board-level Responsible Business Committee through the executive-level Responsible Business Management Committee (RBMC), which implements our responsible business strategy, then onwards through the efforts of managers and colleagues at all levels. In 2018, the RBMC will become a Sustainability Committee. We provide relevant training for colleagues so they understand the need for good governance and play their part in making it a reality.

The role of the Responsible Business Board Committee

During 2017, the Committee considered in detail the development of the Group's responsible business approach, including a sustainability strategy. Detailed discussions took place with colleagues from relevant business areas and external advisers at which proposals were considered and challenged, leading to a change of focus on some areas of the approach. The Committee contributed to the plans for strengthening the Group's ongoing commitment to supporting basic, workplace and specialist digital skills in the UK during 2018 and provided perspectives on how this could best be achieved.

The Committee also considered the following topics:

- ➊ A regular progress report from the Chairman of the executive-level Group Customer First Committee on the approach to customers, conduct and culture;
- ➋ A report from Group Sourcing on working in a responsible way with the Group's suppliers;
- ➌ An oversight of the processes which provide reassurance that customer rectifications are managed responsibly;
- ➍ The benchmarking of trust amongst stakeholders and customers against financial services companies and acknowledged leaders in other industries;
- ➎ The outputs from colleague surveys in relation to the Group's role as a responsible business; and
- ➏ The draft Modern Slavery Statement, before recommending to the Board for approval.



Our businesses have roots going back 250 years and have stood the test of time. Our purpose, to help Britain prosper, is more important than ever to the UK's successful transformation into a digitally enabled, low carbon economy.

Sara Weller
 Independent Director and Chairman,
 Responsible Business Committee



2017 Highlights

Supporting more than 124,000 start-up businesses



One of Britain's largest corporate tax payers



Building Britain's most inclusive and diverse bank



£58 million given to help communities, including more than £20 million given to our independent charitable Foundations



More than 5 million sq. ft. of real estate helped to become energy efficient



Colleagues gave 260,000 hours of volunteering time to help good causes



Transforming our business to meet customers' needs, including the 13.4m banking digitally



Our fundraising enabled Mental Health UK to launch the UK's first Mental Health and Money Advice Service



Lending £13 billion to first-time homebuyers



Defining the issues that matter most to our stakeholders

Engaging with our stakeholders is extremely important. It enables us to understand their issues and expectations of the Group.

We engage with stakeholders in many different ways: during our regular business activities; in face-to-face meetings about specific issues, such as regulation or financial performance; and increasingly through new media, such as digital broadcasts.

We also invite stakeholders to participate in the materiality surveys that help us shape our corporate reporting and inform our strategic thinking. This year we asked stakeholders, including colleagues, customers, investors, community groups, special interest groups and opinion formers to participate in our 2017 materiality survey. Their feedback has helped us prioritise which issues to report on.

How we designed our 2017 materiality survey

Good practice materiality assessment comprises four stages, from issue identification, prioritisation, validation to review. Working with our external advisers, Friend Studio, we identified a universe of issues that were grouped into eight environmental, social and governance (ESG) impact categories.

The identification of issues was informed by information sources including a survey run on our behalf with retail and business customers, as well as external research and sector analysis.

Participants were invited to rank the categories as part of an online survey. Compared with 2016, a similar number of participants completed the survey. This year we simplified and improved our scoring calculation process. Issues, and changes compared to last year were logged. Participants were also asked to rank the Sustainable Development Goals (SDGs) they believed to be most relevant and important to the Group.

How the survey informs our reporting

The findings of the materiality process were discussed and validated internally. Our internal Market Research, Analysis and Insight team guided our assessment of issues using their expertise. Throughout 2018, relevant information and stakeholder research will be reviewed in preparation for the next assessment.

The categories and issues ranked as most material directly inform the Responsible Business content of our 2017 Annual Report and Accounts and this Responsible Business Update.

You can find out how the other issues listed in the survey relate to our performance by using our GRI G4 index online.

Outputs

How the Group is run

- Governance and accountability
- Stakeholder engagement
- Board effectiveness

Building trust

- Transparency
- Responsible and ethical lending
- Responsible conduct

Supporting communities and society

- Support for vulnerable customers
- Financial education and inclusion
- Community programmes

Economic performance and contribution

- Business performance and growth
- Indirect economic contribution

Product responsibility and accountability

- Customer privacy and data security
- Support for Britain's businesses and entrepreneurs
- Widening financial inclusion

Human rights, diversity and equality

- Equal opportunities, inclusion and diversity
- Human rights
- Transparency in the supply chain

People management and development

- Occupational health, safety and wellbeing
- Training and skills development

Environmental impact and investment

- Supply chain
- Impact of climate risks

The key issues identified during this process are clearly important to our stakeholders, and so they are important to us. In this Update, we explain the ways in which we are responding to the concerns of each stakeholder group, and how we are doing our part to preserve the environment.

p10 Colleagues
p14 Customers
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p20 Communities
p22 Environmental matters

Our Helping Britain Prosper Plan

Through our products and services we've been serving Britain for more than 250 years. Today, as one of Britain's biggest banking groups, our scale and reach gives us an opportunity to help build a more inclusive and prosperous country. We know from experience that, when Britain prospers, so can we. So the Plan is an important investment in our long-term success.

The Plan takes us beyond business as usual. It differentiates, unites and inspires our Group and colleagues to meet some bold commitments. In just four years, we've made a positive difference for people, businesses and communities across Britain, thanks to the Plan. But it's just one aspect of our all-encompassing responsible approach to banking.

Background to our Plan

We launched the Plan in 2014, drawing on advice about how to shape it from our senior leaders and many external stakeholders, including our independent stakeholder panel and Foundations. These contributors all still play a role in its continuing evolution – because it's not static, we review it annually to ensure that it stays relevant.

Our performance since 2014

Since launching the Plan we've achieved a lot, meeting 20 of our 25 targets in 2014, 27 of our 28 targets in 2015, 20 of 24 targets in 2016, and 21 of 22 in 2017. For 2018 we have set new targets and, for the first time, identified six areas of focus.

Helping Britain Prosper Plan targets achieved

2017	<div style="width: 95%;"></div>	95% (21/22)
2016	<div style="width: 83%;"></div>	83% (20/24)
2015	<div style="width: 96%;"></div>	96% (27/28)
2014	<div style="width: 80%;"></div>	80% (20/25)

Our performance in 2017



Helping people

We're helping people with the issues that really matter to them, whether that's buying a home, saving for later life, or finding a rewarding job.

This year, we delivered £13 billion of lending to help first-time homebuyers, created more than 1,200 new apprenticeship positions within the Group and provided support and guidance to help almost 89,000 customers plan for retirement. Through our support for the School for Social Entrepreneurs we helped a further 260 social entrepreneurs start or grow their social businesses.

We also made good progress against our target to train 1.8 million people, businesses and charities in digital skills by 2020, having trained more than 708,000 in 2017.



Helping businesses

We're helping businesses of all types and sizes to start up, grow, improve productivity, build their skills base and become successful exporters.

We provided further support to businesses of all types and sizes. We delivered £1 billion of financial support to the manufacturing sector, exceeding our target, and extended our support for the Lloyds Bank Advanced Manufacturing Training Centre, helping to train 500 apprentices, graduates and engineers this year. We also met our target to support UK infrastructure projects collectively worth more than £31 billion, including Britain's new High Speed 2 Railway expansion. We've now retired this target from our Plan.

We increased net lending to SME and Mid Markets companies by £0.9 billion, but fell short of our £2 billion target. The shortfall reflects similar challenges across the market. However, since the beginning of 2011, our net lending to SMEs has increased by 31 per cent whilst the market has contracted by 11 per cent. Since 2012, our lending to Mid Markets companies has increased by 17 per cent compared to a market that's remained flat. Our 2018 target is to deliver £2 billion of net lending across start-up, SME and Mid Markets businesses.





You can read more about all of our **Helping Britain Prosper Plan** targets online



Helping communities

We're helping communities to become more cohesive by providing vital support for some of the most disadvantaged people living in Britain today. We're also championing diversity.

Through our four independent charitable Foundations we helped more than 2,800 charities and encouraged colleagues to volunteer their expertise, including their mentoring skills, to help these charities become more effective and financially sustainable. This year, colleagues gave 260,000 volunteering hours to support local communities. Read more about our community investments on [page 20](#).

Through our partnership with Mental Health UK, we're promoting awareness of the link between mental health and money problems. This year, we exceeded our target and raised £4.8 million thanks to the efforts of colleagues and customers. This fundraising enabled Mental Health UK to launch Mental Health and Money Advice, the UK's first service dedicated to helping people understand, manage and improve their financial and mental health.

We made further progress against our target that women hold 40 per cent of our senior roles by 2020, with 34 per cent of these roles now held by women. [Read more on page 11](#).

We also met our 2020 colleague engagement targets, three years ahead of schedule, and reached engagement levels of 70 per cent amongst Black, Asian and Minority Ethnic (BAME) and Lesbian, Gay, and Bisexual (LGB) colleagues as well as those with disabilities. We will continue to promote inclusion, but have now retired this target from our Plan.

Our Plan for 2018

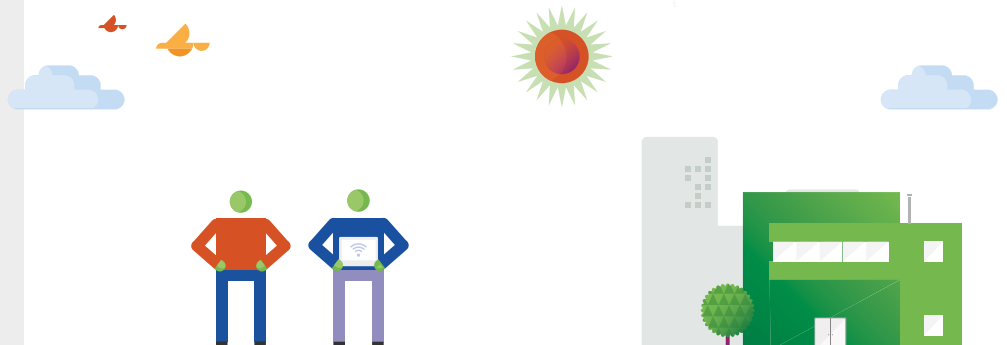
Looking ahead, we have evolved the Plan for 2018 to ensure that it focuses on the areas where we believe we can make the biggest difference: addressing Britain's housing needs, helping people plan for later life and businesses to start up and grow, building digital skills, supporting the low carbon economy and tackling disadvantage.

Our full plan has 22 stretching targets, against which we'll track our performance year-on-year. In addition, we've prioritised six targets to focus on during 2018. They support the UN SDGs, which aim to tackle the world's most pressing challenges by promoting sustainable development.

Our areas of focus

Target	2018	2020 ¹
Helping Britain get a home		
Amount of lending committed to help people buy their first home	£10bn	£30bn
Helping save for the future		
Growth in assets that we hold on behalf of customers in retirement and investment products ²	£8bn	£50bn
Building digital skills		
Number of individuals, SMEs and charities trained in digital skills including internet banking	700,000	1.8m
Supporting businesses to start up and grow		
Increased amount of net lending to start-up, SME and Mid Markets businesses	£2bn	£6bn
Tackling disadvantage across Britain		
Number of charities we will support as a result of our £100 million commitment to the Group's independent charitable Foundation	2,500	7,500
Championing Britain's diversity		
Percentage of senior roles held by women	36%	40%
Percentage of roles held by BAME colleagues:		
All roles	8.9%	10%
Senior roles	6.4%	8%

- 1 2020 targets are cumulative from 2018–2020 and are in line with the next phase of the Group's strategic plan.
2 Growth in assets under administration in our front books.



Supporting sustainable development

Through both our Helping Britain Prosper Plan and our wider responsible business activities we're supporting the UN's broader sustainable development agenda and working towards the UN Sustainable Development Goals (SDGs).

The UN's SDGs set out a global agenda for action to improve the wellbeing of present and future generations. The 17 SDGs aim to tackle the world's most pressing challenges, by promoting sustainable development.

Through our Helping Britain Prosper Plan and our wider activities as a responsible business, we directly support a number of the SDGs.

We believe the SDGs provide a point of focus for our responsible-business related activities and a common reference point for building relationships with external partners who share our vision and values.

SDG



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



Achieve gender equality and empower all women and girls.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Helping Britain Prosper target

Building employability and digital skills

Number of individuals, SMEs and charities trained in digital skills including internet banking Page 16

Number of undergraduates from lower-income households supported through the Lloyds Scholars Programme Page 21

Number of internal apprenticeship positions created within the Group that result in permanent employment Page 14

Tackling social disadvantage across Britain

Number of colleague volunteering hours used to support community projects (with a minimum of 30 per cent used to support skills-based activity such as mentoring) Page 21

Championing Britain's diversity

Percentage of senior roles held by women Page 12

Helping Britain get a home

Amount of lending committed to help people buy their first home Page 18

Number of homes our Housing Growth Partnership has committed to build Page 18

New funding support provided for the social housing sector Page 18

Helping save for the future

Growth in assets that we hold on behalf of customers in retirement and investment products Page 7

Building employability and digital skills

Number of Social Entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs Programme Pages 15 and 20

Supporting businesses to start up and grow

Increased amount of net lending to start-up, SME and Mid Market clients Page 6

Tackling social disadvantage across Britain

Share of social banking accounts we support Page 15

Amount raised by colleagues and communities for our charitable fundraising partners (including Matched Giving from the Group's independent charitable Foundations) Page 20



SDG



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Reduce inequality within and among countries.



Take urgent action to combat climate change and its impacts.

Helping Britain Prosper target

Supporting businesses to start up and grow

Investment in the UK manufacturing sector through our financial support Page 15

Number of manufacturing apprentices, graduates and engineers trained as a result of our £1m annual investment in the Lloyds Bank Advanced Manufacturing Training Centre Page 15

Number of clients helped to export for the first time Page 15

Number of businesses we will help to start up Page 15

Supporting the transition to a low carbon economy

Amount of commercial real estate space we will fund to become more energy efficient with green loans Page 23

Tackling social disadvantage across Britain

Additional sustainable lending Credit Unions make to their customers across the UK, through our annual £1m commitment to their capital funding Page 16

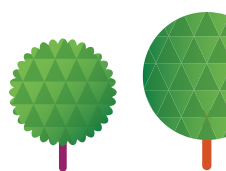
Number of charities we will support as a result of our £100m commitment to the Group's independent charitable Foundations Page 20

Building a diverse and inclusive business

Percentage of roles held by BAME colleagues Page 11

Supporting the transition to a low carbon economy

Average number of homes that could be powered as a result of our support of UK renewable energy projects Page 24



Running a responsible business for all our stakeholders

We aim to run our business responsibly, sustainably delivering value for all our stakeholders, including customers, colleagues, partners, local communities and wider society, including the natural environment.

What’s in this section

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Customers	14
Partners	18
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Environmental matters	22

Colleagues

Colleagues take pride in working for a bank that does business responsibly, and with their support we’re building a culture in which everyone feels welcomed and included, and is empowered and inspired to do the right thing for customers. Over the past few years, we’ve made progress in building a more inclusive, diverse and customer-focused culture in which colleagues perform to their best and are fairly rewarded, but there’s always more to do.

Key issues for our stakeholders

- Equality, inclusion and diversity
- Human rights
- Health, safety and wellbeing
- Learning and development

2017 highlights

- 89% of colleagues believe the Group is committed to being a responsible business (up from 86% in 2016)
- 28,000 colleagues received mental health awareness training in 2017
- 34% of senior management roles now held by women



400

women have now completed our Women in Leadership programme, with 100 achieving promotion.

Equality, inclusion and diversity

Everyone in our Group should have the opportunity to reach their full potential – regardless of their role or background. We're building a team that reflects 21st century Britain; a team in which everyone feels valued and everyone's talent and unique differences are valued.

We continued to make good progress against our inclusion and diversity (I&D) strategy. The proportion of colleagues who agree that the Group is an inclusive place to work increased to 89 per cent, 3 per cent more than in 2016, and almost half of our colleagues are members or supporters of one of our five diversity networks. We met our target to increase the engagement levels of BAME colleagues, colleagues with disabilities and Lesbian, Gay and Bisexual colleagues above 70 per cent, three years earlier than our target date of 2020. Other achievements include being named the best bank in the world for diversity and inclusion by Euromoney; and once again, a Top 10 Employer for Working Families and Times Top 50 Employer for Women. We also won awards for our approach to agile hiring.

We promote I&D through our Group Executive Committee. Several of our senior executives are I&D sponsors and an Operational Committee oversees how our I&D plans are implemented.

Our colleague networks

Our five colleague networks play a key role in our I&D strategy and help colleagues to connect, support and develop each other. They are: Access (disability), Breakthrough (women), REACH (race, ethnicity and cultural heritage), Rainbow (LGBT and allies) and Family Matters (parents and carers). More than half of all colleagues are supporters of one or more of our five colleague networks.

Gender diversity

We have committed to ensure that women hold 40 per cent of our senior roles by 2020, and to help reach this target we monitor gender diversity on candidate lists for senior appointments. Over 400 women have now completed our Women in Leadership programme, with 100 achieving promotion.

Gender pay gap

We recognise that supporting gender equality supports the success of the UK as a whole. We've calculated our gender pay and bonus gaps, with the full data set to be published ahead of the April 2018 deadline. We're committed to increase the proportion of senior women in roles and to build a diverse senior management team. We regularly review our pay levels to ensure that women and men are paid equally for doing equivalent roles across the Group.



Read our [gender pay gap report](#) online

Supporting colleagues with disabilities

This year, the Department for Work and Pensions designated the Group as a Disability Confident Leader for our inclusive recruitment process and in November, we won a 'Nothing about us without us' Disability Smart Award, recognising the way we gather insights about disability from colleagues, customers and charities, then use them to inform our decisions. As a member of the Business Disability Forum, we are proud to have retained our Gold accreditation in the Disability Standard. Our colleague disability network, Access, ran a successful national event, while more than 2,300 colleagues completed our industry-leading workplace adjustment process.

We offer bespoke development programmes and recruitment processes for colleagues and job applicants with disabilities. We aim to appoint the best candidate into any role and give full and fair consideration to job applications from those with disabilities, and we are unbiased in the way we assess, select, appoint, train and promote people. We offer a guaranteed interview scheme for candidates who declare a disability and meet the minimum requirements of the role. We continue to run a Disability Work Experience Programme in partnership with Remploy. This is one of the largest disability-focused work experience initiatives in the financial services sector; we've increased our number of candidates from 96 in 2016 to 392 in 2017.

Representing multicultural Britain

This year, we continued to develop and promote our Authentic Leadership Programme for BAME leaders, and published our second ethnicity role models list, to inspire colleagues from all backgrounds and heritages. We foster cultural awareness through promoting role models and communication campaigns. We ran a cultural awareness month in October in conjunction with our REACH network to raise awareness of different cultures.

Leading the way on LGBT

We've worked hard over several years to make the Group a welcoming and supportive place to work for LGBT colleagues and we were proud to be named as the number one employer in the Stonewall Top 100 list 2017 and included in the Stonewall inaugural list of Transgender Inclusive Employers 2018.

In 2017 we launched a new advertising campaign featuring transgender, non-binary and bisexual individuals. We also celebrated LGBT History month with a series of events, role models and training guides for colleagues, and our colleague network, Rainbow, held an allies month in May to recruit new supporters to the network.

2,300

colleagues completed our industry-leading workplace adjustment process.

Running a responsible business for all stakeholders: **Colleagues**

Our inclusion and diversity data

		2017	2016 ¹
Gender			
Board members	Male	9	10
	Female	3	3
Senior managers ²	Male	4,939	5,138
	Female	2,544	2,457
Colleagues ²	Male	31,216	33,149
	Female	42,956	45,769
Ethnic background			
Percentage of colleagues from a BAME background		8.3%	7.9%
BAME managers		8.3%	6.4%
BAME senior managers		5.6%	4.8%
Disability			
Percentage of colleagues who disclose they have a disability		2.6%	2.2%
Sexual orientation			
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender		1.7%	1.5%

1 Restated to include International and parental leave colleagues comparable with other gender reporting. Includes subsidiary Non-Executive Directors.

2 Reporting scope: payroll headcount includes established and fixed term contract colleagues, parental leavers and Internationals. Excludes leavers, Group Non-Executive Directors, contractors, temps and agency staff. Also excludes MBNA colleagues, who became part of Lloyds Banking Group plc in June 2017, as they are currently on a separate grading structure.

Diversity scope: Payroll headcount includes parental leavers. Excludes MBNA colleagues, who became part of Lloyds Banking Group plc in June 2017, as they are currently on a separate grading structure. Also excludes contractors. Gender information includes International colleagues. All other diversity information is UK Payroll only.

Senior Managers: Grades F+. Managers: Grade D-E.

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



MAIDENHEAD

HELPING NICHOLAS START HIS CAREER

Helping Nicholas start his career as a Personal Banking Adviser. He is one of more than 1,200 apprentices to join our business this year, bringing our total to more than 5,500 since 2012.

89%


of colleagues agree that
the Group is an inclusive
place to work.

Focusing on Family Matters

We believe that our support package for the 43 per cent of our colleagues who are parents or carers is one of the best in the UK, and Working Families (the UK's leading work-life balance campaigning organisation) agrees, having named us among their Top Ten Employers for the past three years. Our family support package provides resources and guidance for parents, parents-to-be, carers, guardians and line managers. We also run a successful Returners Programme for women and men who've taken career breaks of two years or more, while our Family Matters network allows colleagues to connect and support each other.

Human rights and modern slavery

We aspire to conduct business in a way that values and respects the human rights of all the stakeholders we work with. We respect and support the UN Universal Declaration of Human Rights, together with the International Labour Organization Fundamental Conventions, covering freedom of association, the abolition of forced labour, equality, and the elimination of child labour. We comply with all relevant legislation, including the Modern Slavery Act 2015 and published our first Modern Slavery and Human Trafficking statement in 2017. We also support relevant voluntary codes, such as the UN Guiding Principles on Business and Human Rights, and take steps to help colleagues understand our position on these issues and how they can ensure that we live up to the standards they demand.

 Read our [anti-slavery and trafficking statement](#) online

Occupational health, safety and wellbeing

We care about the physical and mental health, safety and wellbeing of our colleagues. We provide them with a growing range of health and wellbeing resources, including company paid private medical cover, occupational health services and an employee assistance programme. We publish advice about health topics on our intranet and actively encourage colleagues to support external health and wellbeing campaigns.

28,000

colleagues have so far completed the eLearning, which was developed and delivered together with our charity of the year, Mental Health UK.

Health and safety

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. During 2017, we've provided improved mandatory health and safety training for colleagues, along with awareness and education programmes that encourage them to recognise their personal responsibility for health and safety at work. Controls and inspection programmes for health and safety are run at local levels and ensure that our health and safety programmes are designed to help colleagues avoid accidents and support each other in creating a safety-first working culture. Our mandatory training programme now includes guidance for colleagues who drive on company business. We've also maintained our close relationships with the health and safety enforcement agencies, through our participation in the Health and Safety Primary Authority Scheme and Fire Primary Authority partnership.

Reported accidents

We worked hard to improve safety for customers and colleagues in our branches and offices in 2017, achieving a 7 per cent decrease in total recorded accidents compared to 2016. The total number of serious (RIDDOR) accidents decreased by 7 per cent during the same period.

Promoting better mental health and wellbeing

One in four of us in the UK will be affected by a mental health problem in any given year and, of these, around four million will also struggle with their financial wellbeing. This is why we've made mental health a priority for the Group. Throughout 2017, we have worked to create an inclusive environment where colleagues feel comfortable discussing their mental health and wellbeing and to equip our line managers to have proactive conversations about mental health.

In May 2017, we ran our Mental Health and Wellbeing week, during which we launched eLearning for all colleagues and line managers. So far 28,000 colleagues have completed the eLearning, which was developed and delivered together with our charity of the year Mental Health UK. We estimate that 25 per cent of colleagues

discussed mental health this year, including our Group Chief Executive, António Horta-Osório, who shared his story about overcoming executive stress in a national newspaper article. We also improved the mental health support colleagues receive through our third-party healthcare suppliers and ran internal campaigns to highlight this issue. Our mental health awareness campaigns have seen high levels of appetite and interaction from our colleagues, paving the way for further activities in 2018.

We have also improved the mental health support colleagues receive through our third-party healthcare suppliers and are currently supporting our top 120 leaders to develop their mental resilience.

Expanding agile working

To help colleagues achieve a work-life balance that best suits them, and often matches the way our customers now prefer to reach us, we encourage colleagues to embrace agile working. Approximately 41 per cent of colleagues are now working in an agile way compared to 33 per cent two years ago. In 2017, we launched a workforce agility Line Manager toolkit to support a team-led approach to agility and 90 per cent of new advertised roles in the Group are now agile.

Engaging colleagues

We want colleagues to be engaged and enthusiastic about our strategy, responsible approach and culture. We regularly and systematically update them on the Group's performance and changes in the economic and regulatory environment, including matters that concern their role. We also want them to share their ideas and views to help us shape our future. One of the most effective ways they do this is through the 'Best Bank for Customers' and 'Building the Best Team' surveys that are run by an independent third party every year. They give colleagues the opportunity to share their thoughts in order to inform decisions and support improvements in team performance. This year, 86 per cent of colleagues participated in the two surveys – 2 per cent more than in 2016 and 5 per cent above the external best practice response rate. We believe the surveys confirm that colleagues are engaged and believe the

Group is moving forward in key areas.

For 2017, our Employee Engagement Index Score is 76 per cent, equalling our highest previous score, while our 83 per cent Performance Excellence Index Score is our highest yet, and our Line Management Index Score of 87 per cent is up one percentage point from 2016. Crucially, 88 per cent of colleagues agree that 'the behaviour of the people I work with is consistent with our Values' – up 1 percentage point since 2016 and 13 percentage points above the UK norm, and 88 per cent believe the Group is genuinely committed to being a responsible business, up 3 percentage points since 2016 and 19 percentage points above the UK norm. Also, 88 per cent of colleagues understand how their team is helping Britain prosper, up 4 percentage points compared with 2016.

Building a more responsible culture

We believe that the vast majority of colleagues want to work in line with clear ethical principles and they now have greater clarity than ever before about the Group's position on the ethical challenges they may face.

We equip and encourage them to work in line with our Values, Code of Responsibility and all other standards relevant to their role. We also encourage them to speak up about inappropriate behaviour by contacting our Colleague Conduct Management Team or using our independent whistleblowing service 'Speak Up', which is accessible by phone or online. During 2017, colleagues reported 372 concerns, of which 181 were progressed to investigation, with 57 per cent of the concerns investigated upheld and remedial action taken where appropriate.

We comply with all laws and regulations wherever we operate and a comprehensive Anti-Bribery Policy that applies to all colleagues, including directors, contractors and others acting on our behalf. All colleagues and contractors complete annual Anti-Bribery training and we encourage them to report suspected bribery. The Group is a member of Transparency International UK's Business Integrity Forum, a network of major international companies committed to anti-corruption and high ethical standards in business practices.

RIDDOR accidents 2012 – 2017

	2017	2016	2015	2014	2013	2012
Total recorded accidents involving injury	1,785	1,926	2,179	2,142	2,655	2,957
Slips, trips and falls	544	551	576	599	795	826
RIDDOR*	50	54	71	96	123	200

1 Reporting of Injuries, Diseases and Dangerous Occurrences Regulation.

Running a responsible business for all stakeholders: **Colleagues**

Rewarding colleagues

To build the best team, we need to reward colleagues responsibly and fairly, so we can retain their talent and remain competitive. We offer a competitive and fair reward package that supports our aims as a responsible business – with customer-facing colleagues in Retail incentivised on the basis of actions and behaviours that put customers first. We offer colleague share schemes to encourage shared ownership of our Group.

Learning and development

Investing in learning and development equips colleagues to do their best for customers. During 2017, colleagues spent more than 410,000 days on learning, an average of 5.6 days each. We made it easier for them to access learning by creating new business learning catalogues and Group-wide Learning Resource Centres.

We also ran 'Values in Action' sessions for all colleagues, supporting the introduction of our new Group and Leadership Behaviours, and unified our learning for line managers and leaders in a new Leadership Academy. This offers a new curriculum for senior colleagues, 'pathways' to guide those preparing for a new line management role, and leadership apprenticeships. Our Strategic Leaders Programme, which 175 colleagues completed, concluded this year. From 2018, colleagues in our Strategic Leadership Group will undertake a new 'Horizon' development programme that supports our 'Bank of the Future' objectives. 80 per cent of colleagues who completed our 'Building the Best Team' survey confirmed that they get the support they need to improve their skills and meet customer demands, an annual increase of 3 per cent and 18 per cent above the UK norm.

Customers

We aim to treat our customers fairly and inclusively, making it easy for them to find, understand and access responsible products that are right for them, whatever their circumstances.

Key issues for our stakeholders

- Customer privacy and data security
- Support for Britain's businesses and entrepreneurs
- Widening financial inclusion and supporting vulnerable customers
- Responsible and accessible products
- Responsible and ethical lending

2017 highlights

>13m	digital customers, makes us Britain's largest digital bank
170	locations now served by our mobile branches
>124,000	start up businesses helped



Customer privacy and data security

Financial Fraud Action has estimated that consumers in the UK lost £768 million in financial fraud during 2016, so protecting our customers' data and privacy is of paramount importance to us and we continually invest to maintain and improve our security measures. We use advanced technology to protect our 27 million customers' money and data. This includes secure log on and log off features for online and mobile banking, fraud prevention systems, and real-time fraudulent payment detection technologies. We monitor unusual activity on all customer accounts using advanced technology and take immediate action if we identify suspicious transactions. Colleagues can access our Anti-Money Laundering and Counter Terrorist Policies and specialist training to help them protect customers and the Group.

In 2017, as part of the multi-stakeholder Joint Fraud Task Force (comprising government, law enforcement and industry partners) we played a significant part in setting the strategic direction for fraud prevention. We championed the national rollout of the Banking Protocol, which now includes 38 police forces. It enables colleagues to request immediate police support when they believe customers are at risk from fraudsters. An estimated £9 million of fraud was prevented through the Protocol this year and 100 arrests made across the financial services sector.

We help and educate customers to improve their own banking and data security and champion industry-wide public information campaigns, including Take 5, a national education and awareness campaign.

Looking ahead, our key priorities are to further strengthen our cyber defences and meet the requirements of the upcoming EU General Data Protection Regulation, which will apply from May 2018.

Support for Britain's businesses and entrepreneurs

We helped 6,800 clients to export for the first time in 2017, as part of a wider commitment to help 25,000 businesses trade overseas for the first time by 2020. New businesses are vital to the UK economy, and this year we supported more than 124,000 start-ups. In 2017, we handled over 54 million payments totalling in excess of £1.4 trillion in digital transactions for our commercial clients.

We met our 2017 target to provide £1 billion in funding support for the manufacturing sector and launched a £500 million fund to help manufacturers access asset finance to invest in new capital to improve productivity. We've also supported more than 500 apprentices, graduates and engineers at the Lloyds Bank

6,800

clients will export for the first time in 2017 as part of our wider commitment to help 25,000 businesses trade overseas for the first time by 2020.

Advanced Manufacturing Training Centre in Coventry – a significant number, given the skills-gap in this sector.

We also provided further support for social entrepreneurs through our partnerships with the School for Social Entrepreneurs and Big Lottery Fund, keeping us on course to support 2,350 social entrepreneurs by 2020. In 2017, we became the first financial services company to partner the School's pioneering Match Trading™ grant-funding initiative. This aims to reward sales growth of social ventures operating in challenging markets so that they develop a sustainable trading base.

Widening financial inclusion and supporting customers in vulnerable circumstances

In line with the financial inclusion strategy we launched in 2014, we opened almost 271,000 new basic bank accounts (2016: 350,000) and helped 99,700 customers upgrade from basic to mainstream products (2016: 70,000). We also simplified our unplanned overdraft approach and, as a result, nine out of 10 personal current account customers of Lloyds Bank, Bank of Scotland and Halifax are now better off or unaffected financially.



COVENTRY

HELPING DEVELOP BRITAIN'S NEXT GENERATION OF MANUFACTURING ENGINEERS

At the Lloyds Bank Advanced Manufacturing Training Centre in Coventry, we're helping to develop Britain's next generation of manufacturing engineers. They include Tilly, who's acquiring the skills she needs to succeed in the automotive industry. We're continuing to invest £1m a year and will train another 500 apprentices, graduates and engineers at the Centre by 2020.



CORNWALL

HELPING BRITAIN'S SOCIAL ENTREPRENEURS

Nikki Markham is one of 1,500 people helped through our School for Social Entrepreneurs Programme – with a knock-on benefit, including job opportunities, for an estimated 1.1 million people in their local communities. Battling On trains veterans to become mentors and instructors who support vulnerable young people from disadvantaged backgrounds and adults with disabilities. The charity's award-winning approach combines nationally recognised vocational training, numeracy and literacy support and work experience gained on local community projects. Nikki was a finalist in the 2017 Social Entrepreneur of the Year Award.

Running a responsible business for all stakeholders: **Customers**

Using digital to widen financial inclusion

The Lloyds Bank Consumer and Digital indexes we publish estimate that 41 per cent of UK businesses and 52 per cent of UK charities still lose out because they don't make the most of digital. To help address this problem, we're running digital advice sessions for customers in branches across the country. In addition, we ran digital workshops at 22 locations in 2017, and trained 708,000 individuals, businesses and charities in digital skills, which covers internet banking.

We're also helping to widen financial inclusion through our support for Britain's credit unions through our Credit Union Development Fund. In 2014 we made a four-year, £4 million commitment to support the sustainable growth of the credit union sector. In January 2018, we announced the winners of the final tranche of that commitment and that we would be extending the Fund for an additional year. Since the Fund was set up, we have given 81 grants to credit unions, benefitting local communities by ensuring that there is greater financial choice for consumers. In addition, our colleagues have volunteered their time and expertise to help local credit unions develop more effective business practices, and we've continued with our in-branch signposting activities to local credit unions.

Supporting vulnerable customers

We want all customers to have easy access to our products and services. We've worked hard to track vulnerable customers' needs, particularly in our Community Bank, and developed a Group-wide dashboard to identify emerging vulnerability trends. In 2017, our specialist support team helped 1,900 customers with cancer, through financial advice and with medical and emotional support from our partners Macmillan. To help colleagues do more for vulnerable customers, we provided 90,000 hours of vulnerability training and launched Customer Vulnerability resource hubs in our Digital, Retail, Commercial, Insurance and Consumer Finance Divisions. Throughout the year, we supported the vulnerability agenda through meetings and joint initiatives with external stakeholders and partners, including the Financial Conduct Authority (FCA), Lending Standards Board, Banking Standards Board, UK Finance and the Home Office.



WALES

HELPING BRITAIN'S CREDIT UNIONS

We're helping Britain's Credit Unions. They include the Smart Money Cymru Credit Union, which provides safe and affordable lending for local people in Caerphilly, Blaenau Gwent and Newport with a grant of £20,000 from our £4 million Development Fund.

Supporting good mental health

Working with our charity partner, Mental Health UK (MHUK), we're helping to promote and enable good mental health across Britain. Together, we've delivered mental health awareness training for 28,000 colleagues and our fundraising enabled MHUK to launch Britain's first combined Money and Mental Health public helpline, which provides local support and referrals to mental health specialists for customers and others who use the unique service.

Supporting customers with disabilities

Digital access can transform banking for vulnerable customers, particularly for those with health conditions and disabilities that make it difficult to get to a branch. Following a review in 2016, the charity AbilityNet accredited our Halifax and Lloyds Bank digital platforms based on their accessibility for disabled customers.

Easy Read

We are piloting a new 'Easy Read' format, endorsed by the Royal National Institute of Blind People, to make bank statements accessible and understandable for customers with a range of learning difficulties and disabilities. Customers can now opt in to receive their bank statements for current accounts and/or savings in bold type, along with a new Easy Read format jargon buster.

1,900

customers with cancer were helped by our specialist support team through financial advice and with medical and emotional support from our partners Macmillan.

Focusing on autism

This year we agreed our Autism Friendly plans for customers and colleagues, which we have developed in partnership with the National Autistic Society.

Responsible and accessible products

Over the past few years we have undertaken a far-reaching series of Customer-Transformation Journeys (CTJs) to help us become the best bank for customers. In 2017, we launched the last of two of 10 CTJs, each of which puts customers at the heart of any changes we make. This year, CTJs inspired us to issue colleagues in branches with more than 4,000 iPad Pros so they can open accounts faster. We also introduced new digital services to help colleagues advise customers about corporate pensions or loan eligibility and to process mortgage offers, accounts and small loans to SMEs in less time than ever before.

Making digital mainstream

The Group's transformation is driven by customers' changing needs and, increasingly, they're banking digitally. As Britain's biggest digital bank, with 13.4 million retail customers now online, more than 60 per cent of all our transactions are completed digitally. In 2017, the Lloyds Bank mobile app was ranked number one for the third year running in an independent survey by Forrester Research, while Scottish Widows enhanced an app that helps customers understand their workplace pension options.

We believe we are in a unique position to help people, businesses and communities across Britain make the most of every digital opportunity. The technologies available are evolving all the time and can help us meet the needs of customers who want to bank in new ways. To help us become the best digital bank for customers, we're working more than 100 FinTech start-ups through an ambitious FinTech Mentoring programme, now in its second year.



WOLVERHAMPTON

WIDENING DIGITAL SKILLS

Every Thursday, a team of Digital Champions offer their expert advice to help local people acquire digital skills and digital confidence. Participants, including many people aged 60 or over, learn how to use a range of devices, how to stay safe online, how to bank and manage their finances online and, if they need it, get advice about how to create a CV or fill in a digital job application. In the Wolverhampton area alone, we now have a network of around 500 registered Digital Champions, including 50 who volunteer every week. To date, they've helped more than 500 local people improve their digital skills

Helping customers in their communities

Around 25,500 colleagues have now trained as Digital Champions and can use their expertise to help customers, communities, friends and family, to develop their digital skills too. This year, we promoted the benefits of digital in voluntary organisations in line with the Digital Participation Charter and continued our work with Doteveryone, the Good Things Foundation and the Board of Digital Leaders to deliver digital skills training across the country. We sponsored 100 dedicated online centres in local communities and now have 100 digital connectors, active in every nation and region of the UK, to support customers and communities.

Responsible and ethical lending

As a lender and pension adviser we play an important role in promoting responsible lending and investment decisions that take into account a broad range of environmental, social and governance (ESG) factors. We assess the social, environmental and ethical implications of all our business activities and make our customers aware of these considerations when they make lending and investment decisions. The Group is a signatory of the Equator Principles, which provide a framework for determining, assessing and managing environmental and social risk in project finance transactions.

We are a signatory of the Stewardship Code and the UN Principles for Responsible Investment. We actively consider our obligations during the selection, appointment, monitoring and retention of our fund managers, while the management of risk for investment funds offered to customers by Scottish Widows is effected through a comprehensive and robust process, including our Responsible Investment Governance Framework. In 2017, we completed an initial assessment of the Responsible Investment capabilities of our lead asset managers and the majority of our external fund managers. We also launched a Social Bond fund, in addition to the Ethical and Environmental funds we already provide.

Our Code of Responsibility makes it clear that we never finance activities prohibited by international conventions that the UK government supports. These include the Oslo Convention on Cluster Munitions and the Ottawa Treaty on Anti-Personnel Landmines.

We invest and lend responsibly, in line with our own low-risk business model and customers' ability to meet their repayments.

Customer satisfaction

We measure customer satisfaction using the industry standard Net Promoter Score. In 2017, this was 62.0, down slightly from 62.7 in 2016 but remains nearly 50 per cent higher than at the end of 2011. When customers do complain, we act as quickly as possible, focusing on achieving fair outcomes. We continue to target understanding and eradicating the root causes of customer complaints, reducing incoming complaints by 18 per cent from 2016 to 2017 (excluding PPI and claims management companies).

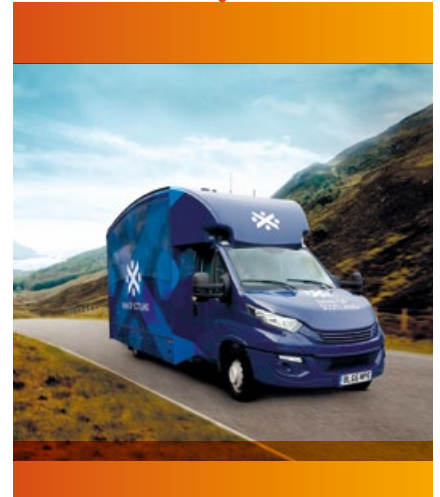
Customer complaints*

FCA reportable complaints per 1,000 accounts

H1 2017	4.1
H2 2016	4.3

* Excluding PPI.

The FCA changed the approach to complaint reporting from 30 June 2016, so our complaint reporting is now presented on this basis. Overall incoming complaints, excluding PPI and claims management companies, have fallen by nearly 70 per cent since 2011 and by around 18 per cent since 2016.



MEETING CHANGING CUSTOMER NEEDS

We are investing significantly in a major branch transformation programme to better serve our customers now and for many years to come. We have expanded our mobile branch service this year and we now have 28 mobile branches, which visit 169 different locations to support rural communities across Scotland, England and Wales.

Running a responsible business for all stakeholders: **Partners**

Partners

In 2017, we made a substantial direct contribution to the UK economy as one of the largest corporate taxpayers and a large employer, with approximately 68,000 colleagues. We also contributed indirectly to job creation and stimulated trade through our procurement of products and services.

Key issues for our stakeholders

Responsible conduct and culture

Direct and indirect economic contribution

Working with suppliers

2017 highlights

£2.5bn paid in corporate taxes

£5.0bn paid to suppliers

800 meetings held with investors

Responsible conduct

Our performance as a responsible business during the past year has helped to rebuild trust in our Group and in the future stability and sustainability of the banking sector. In May, we returned the Group to private ownership. This marked the successful delivery of our strategy to transform the Group into a simple, low risk, UK-focused retail and commercial bank. This year, we continued to build trust by taking steps to become even more transparent in the way we communicate with our stakeholders – providing them with greater detail about where we stand on environmental, social, governance and ethical issues.

Direct and indirect economic contributions

We make significant direct and indirect contributions to the economy. We employ approximately 68,000 colleagues (full time equivalent) and we are helping to create additional jobs and bring talented people into our business through our Graduate and Apprenticeship Schemes. We've created more than 5,500 apprenticeships since October 2012. In 2017, a third of our new apprenticeships were offered to candidates from the UK's most disadvantaged areas.

We are helping the housing sector as a whole. In 2017, we lent more than £42 billion to home buyers and provided £13 billion of lending to help first-time buyers. We supported more than 78,000 first-time homebuyers in 2017. We exceeded our target to build 1,500 homes through our Housing Growth Partnership, a partnership with the government. We also helped the construction sector acquire skills through the London-based Construction Skills Centre, where 166 people obtained a qualification in 2017. In addition, we provided a further £2 billion of new funding support to the social housing sector.

Supply chain

We aim to source responsibly and sustainably, requiring our suppliers to comply with our Code of Supplier Responsibility, which states minimum expectations about human rights, inclusion and diversity and environmental management. We source a range of products and services from an active base of around 4,000 suppliers. In 2017, our supplier expenditure was £5.0 billion (£5.3 billion in 2016) with 94 per cent of this spent with UK-based suppliers.



MANCHESTER

SUPPORTING LOCAL BUSINESSES AT OUR FLAGSHIP BRANCH

Our state-of-the-art Manchester flagship branch, which opened in September 2017, includes a business hub, digital inclusion area, coffee bar, and event space. Our business hub provides valuable workspace, guidance and the networks needed by entrepreneurs to nurture and grow their business ideas. We're encouraging community partners, schools, youth clubs and local businesses to attend our wide range of events to help them network and learn new skills. The coffee bar sources its artisan coffee and baked goods from two local Manchester businesses and, working with Mitie Foundation and Lloyds Bank Foundation for England & Wales, provides work opportunities and training for individuals facing barriers to employment.

Shareholders

Engaging with our shareholders helps us understand their issues, shape our strategic thinking and improve our corporate reporting. We held more than 800 meetings with investors in 2017, including a number for socially responsible investment. We also ran a number of webinars, roadshows and meetings to update shareholders, investment analysts and ratings agencies about our performance.

Government

We engage with government bodies, including central and local government and the devolved governments in Scotland, Wales and Northern Ireland. We keep them informed about our activity as a responsible business, which in 2017 included party conference fringe meetings held with Mental Health UK, the launch of a report on the challenges facing the private rental sector, and briefings on economic development. To support the UK's nations and regions, our 10 Ambassadors, who are all senior colleagues, have a mandate from the Group Chief Executive to support economic and social progress in their local area. In 2017, our Ambassadors focused on issues connected to housing, skills development and business growth.

To reinforce our responsible sourcing practices, our internal Sourcing Policy states that:

- The Group has no appetite for unethical treatment of our suppliers;
- All colleagues engaged in sourcing must follow the defined Business Sourcing Process;
- All colleagues must undertake sourcing in line with the requirements of the Group Ethics and Responsible Business Policy.

Our responsible business objectives are embedded into our sourcing and supplier activities. For example, we further enhanced the questions we ask prospective and existing suppliers in our Financial Supplier Qualification System in relation to issues such as human trafficking and slavery, and have implemented new contractual requirements. We have also worked with key suppliers to build partnerships with social enterprises and embed social responsibility practices.

Our tax position

The Group continues to be one of the largest contributors to UK tax revenues. We were ranked as the highest payer of UK taxes in the most recent PwC Total Tax Contribution Survey for the 100 Group, which is broadly the FTSE 100 and some large UK private companies. In 2017, we paid £2.5 billion in tax (2016: £2.3 billion). We're also a major tax collector, gathering £1.7 billion on behalf of HMRC in 2017 (2016: £2 billion).

Our approach to tax is governed by our Tax Policy, which is part of our Board-approved Group Risk Management Framework. We have discussed this Policy with HMRC and we comply with their Code of Practice on Taxation for Banks and the Confederation of British Industry's Statement of Tax Principles. We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament, and we do not promote tax avoidance products to our customers.



Your can read more about our [Tax Strategy](#) online

Tax paid in 2017



A Corporation tax	£811m
B Bank levy	£235m
C Bank surcharge	£198m
D Irrecoverable VAT	£673m
E Employers NIC	£379m
F Stamp duties and other levies	£68m
G Business rates	£121m



CREATING MORE APPRENTICESHIPS WITHIN OUR GROUP

During 2017, we created more than 1,200 apprenticeship positions within the Group, bringing the total to more than 5,500 since 2012. Around 44 per cent of the new apprenticeships were taken up by external candidates from some of the UK's most disadvantaged areas. We are proud of the fact that many of our apprentices flourish with us after qualification including Vickie McRae, a mother of two who joined the Group in 2015.

Running a responsible business for all stakeholders: **Communities**

Communities

Over and above the products and services we provide for millions of customers through our high street brands and digital services, we contribute to communities across Britain – helping them to prosper economically by building social cohesion and tackling disadvantage.

Key issues for our stakeholders

Financial education and inclusion
Community investment

2017 highlights

£58m

total community investment

2,800

charities supported by our
independent charitable
Foundations

36,700

colleagues volunteered their time
and expertise

Community investment

We invest to help vulnerable or excluded people, for example those who are currently coping with a crisis in their life, excluded from mainstream banking, or struggling to escape social deprivation. Our help for these people, and for charities and organisations that support them, focuses on education employability and enterprise.

Our total community investment in 2017 was £58 million. This includes our colleagues' time, direct donations, and the money we give to our independent charitable Foundations, which receive a share of the Group's profits annually.

Our charitable Foundations

Through our support for independent charitable Foundations, we reach and help some of the most disadvantaged communities in Britain today. In 2017 we gave more than £20 million to the Foundations and enabled them to help more than 2,800 charities across the UK.

Going forward, our 2018 Helping Britain Prosper Plan includes a target to tackle social disadvantage by supporting 7,500 charities by 2020 as a result of our support for the Foundations.

Supporting social entrepreneurs

Through our partnership with School for Social Entrepreneurs, we've now helped more than 1,500 social entrepreneurs to start up or grow their businesses – with a knock-on benefit for an estimated 1.1 million people in their local communities, including job opportunities for disadvantaged individuals. As part of our work, we are proud to be a pioneering partner for Match Trading™, a groundbreaking new funding model for social entrepreneurs developed by School for Social Entrepreneurs. Match Trading™ incentivises social entrepreneurs to grow their business through trading, so they become more sustainable. The Group was the first financial institution to support this type of innovation to help social entrepreneurs to sustain and grow their businesses.



KIDDERMINSTER

HELPING HOMELESS OR AT-RISK YOUNG PEOPLE

We are helping homeless or at-risk young people find accommodation thanks to the work of the charity Wyre Forest Nightstop. They've received a grant of £68,000 from Lloyds Bank Foundation for England and Wales to support their Nightstop emergency accommodation project.

Total community investment

	2017	2016	2015	2014
Total community investment	£58m ✓	£63m	£64m	£64m
Cash donations	£38m ✓	£29m	£27m	£33m
Employee time	£4.8m¹ ✓	£16m	£20m	£15.6m
Management costs	£7.1m¹ ✓	–	–	–
In-kind giving	£147,065 ✓	£186,941	£239,390	£123,770
Leverage	£7.6m¹ ✓	–	–	–
Total amount donated to the Lloyds Bank and Bank of Scotland Foundations	£20.7m	£18.5m	£17m	£16.5m
Funds raised by colleagues for the Charity of the Year	£3.9m	£5.1m	£3.8m	£2.6m
Funds raised by colleagues for Charity of the Year including Matched Giving	£4.8m	£6.1m	£5m	£3.8m

1 Aligned to London Benchmarking Group reporting guidelines.

Financial education and inclusion

Our award-winning Money for Life programme is specifically designed to help vulnerable 16-25 year olds improve their financial competencies. Since the programme was relaunched in October 2016 we have engaged more than 450,000 young people and over 11,300 money masterclasses have been delivered face-to-face in youth centres across England, Wales, Scotland and Northern Ireland. In addition to this, colleagues have delivered financial literacy sessions in primary and secondary schools in local communities. Thanks to our 'StandingOut' programme we remain one of the largest providers of school and academy governors in Britain, with 577 colleagues currently involved.

Helping young people from low-income backgrounds

We help young people from low-income backgrounds to study for a degree at one of our nine partner universities across the UK and Northern Ireland, supporting them to find

graduate employment through our Lloyds Scholars programme. In 2017, 135 scholars joined the programme, bringing the total since it was launched to nearly 750. All scholars receive financial support, paid internships and mentoring, plus the chance to join one of our graduate programmes. In return, they each complete 100 hours of community volunteering.

Fundraising and colleague volunteering

Fundraising and volunteering has direct benefits for many charities and deserving organisations, while colleagues also benefit by learning new skills and taking pride in their achievements.

Through our partnership with Mental Health UK we're promoting awareness of the link between mental health and money problems, encouraging discussion between customers and colleagues and raising vital funds to help the charity make a positive difference. This year, we raised £4.8 million for Mental Health UK. This money will make a significant



EDINBURGH

SUPPORTING HEALTH AND WELLBEING

Thanks to a grant of £70,000 from the Bank of Scotland Foundation, the Thistle Foundation Centre of Wellbeing is helping local people manage long-term health conditions through lifestyle management activities and exercise classes.

impact across the UK as it's being used to fund the first helpline in the UK, dedicated to supporting people who are experiencing mental health and money management issues. The helpline, which was launched in November 2017, provides localised advice – tailored to meet the needs of people in different parts of Britain. In addition to money management advice, it also offers callers the chance to be referred for advice about their mental health issues, if they request it.

We're also aiming to increase awareness and reduce the stigma associated with mental health so that our colleagues can support themselves, each other and our customers.

Volunteering

In 2017, 36,700 colleagues volunteered their time and expertise to help local community causes, and collectively more than 260,000 hours of volunteering were given.



NORTHERN IRELAND

SUPPORTING RURAL WOMEN

Through Northern Ireland Rural Women's Network, a charity that advocates on behalf of rural women. With support from the Halifax Foundation for Northern Ireland, they are highlighting a range of critical issues.



CHANNEL ISLANDS

HELPING THE CHARITY AUTISM JERSEY

With a grant of £50,000 over three years from the Lloyds Bank Foundation for the Channel Islands, the charity Autism Jersey is supporting people on the autistic spectrum, their families and their carers.



WEST DUNBARTONSHIRE

INVESTING IN FINANCIAL EDUCATION

We're helping Colin become a money champion through our award-winning Money for Life financial education programme. The programme is designed to provide money management training, community-based challenges and ongoing support for around 8,000 vulnerable 16-25 year olds. We're funding the national charity UK Youth to deliver the programme, which is worth £3 million over three years.

Environmental matters

We need to use scarce natural resources more sustainably, manage our environmental impacts and support our customers by financing opportunities created by the transition to a low carbon economy.

Key issues for our stakeholders

The impact of climate risks

Managing our environmental impacts

Delivering the science-based carbon reduction and climate resilience targets set out in the Paris Agreement will have significant structural implications for the economy and the businesses and communities we serve. That is why we are evolving our Group-wide sustainability strategy.

This year, our overall carbon emissions were 292,848 of CO₂e, a decrease of 14 per cent year-on-year and of 48 per cent against our 2009 baseline. This is mainly attributable to the reduction in consumption of gas and electricity, which make up the largest proportion of our emissions, as a result of our extensive energy management programme. In 2017, we also reduced the CO₂e related to our business travel by promoting our 'No Travel Week', encouraging travel alternatives and the successful rollout of 'WebEx', Group-wide.

Becoming a more efficient and sustainable bank

We've consistently reduced our environmental impacts, thanks to the ambitious Environmental Action Plan we launched in 2010. To make sure this Plan supports the UK's climate change priorities and our long-term strategy, we introduced even more stretching targets this year, taking us up to 2030. For the first time, the Group has set a carbon reduction target: to reduce our overall CO₂e by 60 per cent by 2030 and 80 per cent by 2050, in line with the UK's emission reduction targets and following a science-based, target-setting methodology. We are currently in the process of setting a new stretching waste reduction target, having achieved our 2018 target ahead of schedule.

CO₂e emissions

	Oct 16 – Sept 17	Oct 15 – Sept 16 ^{1,2}	Oct 14 – Sept 15 ^{1,2}
Total CO₂e	292,848 ✓	340,382	395,543
Total Scope 1	52,160 ✓	53,026	58,851
Total Scope 2	166,617 ✓	202,414	239,709
Total Scope 3	74,071 ✓	84,943	96,983

1 Restated 2014/2015 and 2015/2016 emissions data to improve the accuracy of reporting, using actual data to replace estimates.

2 Restated all historic years to reflect improved methodology in assigning road travel between reporting scopes.

Emissions in tonnes CO₂e in line with the GHG Protocol Corporate Standard (2004). We are in the process of transitioning to the revised Scope 2 guidance. Criteria used to measure and report Scope 1, 2, 3 emissions is provided in the Lloyds Banking Group Reporting Criteria statement available online at www.lloydsbankinggroup.com/responsible-business. Scope 1 emissions include mobile and stationary combustion of fuel and operation of facilities.

Scope 2 emissions have been calculated using a location-based methodology, as set out by the GHG Protocol.

✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2017 Annual Responsible Business Reporting. Deloitte's 2017 assurance statement and the 2017 Reporting Criteria are available online at www.lloydsbankinggroup.com/rbdownloads

Intensity ratio

	Oct 16 – Sept 17	Oct 15 – Sept 16	Oct 14 – Sept 15
GHG emissions (CO₂e) per £m of underlying income	15.8	19.5	22.4

Environmental Action Plan performance

	2017	2016	2015	2014
Reduction in energy consumption^{*1}	425 GWh	467 GWh	480 GWh	518 GWh
Paper usage	20,341t	20,335t	24,352t	25,662t
Business travel (millions)	220km	262km	275km	305km
Waste diverted from landfill	78.3%	77.9%	83.4%	92.4%
Water consumption^{*2}	925,306m³	948,994m ³	917,249m ³	963,899m ³
Build – floor area environmentally accredited^{*3}	14.2%	13.7%	12.6%	8.1%
Build – construction waste diverted from landfill	95.5%	94.2%	95.0%	92.8%

*1 Energy reduction target excludes IT data centre electricity, and the use of oil as a fuel. Offshore, international and landlord/shadow sites are also excluded from the energy target (but included in overall GHG reporting and total energy consumption KPI).

*2 Water reduction target excludes offshore sites (as these were not part of the centrally managed contracts when the target baseline was set and no data is available for the 2009 baseline year). Offshore sites are however included in total water consumption reported for the whole Group, therefore the total water consumption figure reported is higher than the consumption figures quoted in this table.

*3 Build accreditation target is reported based on accreditation achieved up to the end of the calendar year rather than the end of the environmental reporting year (September).

Our new Environmental targets



60%

reduction in CO₂e by 2030, 80% reduction in CO₂e by 2050



50%

reduction in energy consumption by 2030



60%

reduction in travel-related CO₂e by 2030



40%

reduction in water consumption by 2030



SUPPORTING ELECTRIC TAXIS

In 2017 Black Horse announced an extension to its existing partnership with LEVC (London EV Company, previously known as London Taxi Company) that will see it provide finance for its new electric taxis when they hit the road later this year. From January 2018, any new taxis registered in London must be zero-emission-capable vehicles. The UK Government has stated that all vehicles registered from 2040 will also have to be electrically driven as part of the Clean Air Strategy.

Supporting the low carbon economy

We are helping more of our commercial clients to understand and manage their sustainability risks and we complete an environmental risk assessment at the start of every new client relationship. We are currently exploring ways to build sustainability considerations into our policies and risk management processes. We offer customers products and services that help them embrace sustainability. In 2016, we launched an innovative £1 billion Green Loan Initiative to incentivise commercial real estate to become more energy efficient and this year exceeded our target to help 2 million square feet of real estate.

At the end of 2017, our UK team had financed renewable projects with a combined capacity of over 2.75GW (2016: 1.78GW) and internationally our existing investments in renewables exceed 8.9GW (2016: 7.4GW). In 2017 Lloyds Bank played an important part in Macquarie's acquisition of the Green Investment Bank (now Green Investment Group), providing financing for a significant portfolio of operational offshore wind farms including Sheringham Shoal, Gwynt y Môr, Rhyl Flats and projects in construction, including Galloper and Rampion offshore wind farms. Together the projects have a total capacity of approximately 2.4GW, which is enough to power more than 1.7 million homes and they will support a significant number of jobs across the UK through the supply chain and maintenance of the wind farms.

2017 Environmental Action Plan highlights

Energy use

The energy we use accounts for around 87 per cent of our reported CO₂e emissions, so it's really important that we become more energy efficient. This year we:

- ➔ Reduced our energy use by 4.6 per cent compared to 2016 and 40 per cent compared to our 2009 baseline;
- ➔ Continued optimisation of energy consumption at our buildings, which has improved our energy efficiency; kWh per m² floor area has reduced by 2 per cent, compared to 2016.
- ➔ We've completed 75 energy audits across our retail estate to begin our ESOS Phase II compliance programme.
- ➔ To complete the ESOS Phase II compliance, we've started a programme to implement an ISO50001 certified energy management system, which includes our offices and data centres.

Business travel

Our total business travel in 2017 was 220 million km, a decrease of 14.5 per cent compared with 2016 – and our travel-related CO₂e emissions are now down 51.8 per cent since 2009.

- ➔ This year we continued our move from face-to-face meetings to video conferencing as part of the drive to be an agile focused organisation. We rolled out a new 'WebEx' function across the Group after a successful pilot, and we encouraged colleagues to avoid travel when they can through our 'No Travel Week', which has taken place every month for a number of years.
- ➔ As a result, we have seen a 72 per cent increase in WebEx usage from January 2017 to September 2017 (64,000 meetings to 109,000 meetings).

- ➔ Last year we installed plug-in hybrid electric vehicle (PHEV) charging points at one of our Bristol offices as part of a trial to test the feasibility of a wider rollout. There is now a project underway to install them at a number of additional sites in 2018.

Waste

This year we cut our total operational waste yet again – by 20.4 per cent compared with 2016.

- ➔ We sent even less waste to landfill: 829 tonnes less landfill waste, compared to 2016.
- ➔ We continued to reduce waste in catering by sending cooking oil for reprocessing as biofuel, also saving 34 tonnes of CO₂ in 2017, recycling unwanted furniture and encouraging colleagues to switch to reusable drinking cups. Our Keep Cup initiative has stopped 43,489 paper cups entering the waste stream in 2017.

Water

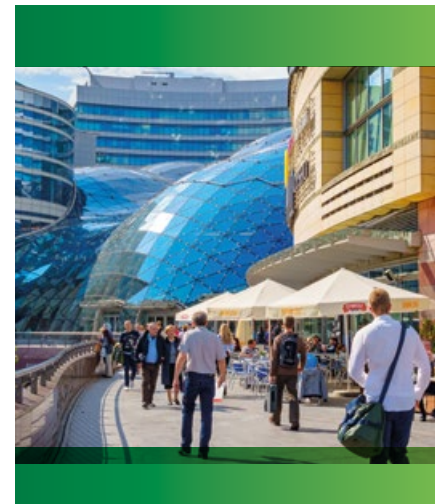
We reduced our overall water consumption by 21.9 per cent. As we look ahead, we want to improve on this figure and the efficiency of our water use, so we will be trialling innovative water-reduction solutions, including flow restrictors on taps.

Buildings and construction

By the end of 2017 we had completed the environmental accreditation of 14.2 per cent of our property estate through the RICS SKA protocol – that's 4.7 per cent up on 2016.

Paper

Our paper usage remained broadly flat this year at 20,341 compared to 20,335 tonnes in 2016. We remain focused on finding ways to use less paper across our business.



HELPING INCENTIVISE GREEN REAL ESTATE

We're incentivising Unibail-Rodamco, Europe's largest commercial real estate business, to become more environmentally sustainable – by linking the margin on their five-year €650 million revolving credit facility to green key performance indicators. The interest margins set through this innovative refinancing deal will take into account the Unibail-Rodamco's performance against KPIs based on its own 'Sustainability Vision' and 'Better Places 2030' strategies.

Environmental matters

Continued

The impact of climate risk

We welcome the recommendations of the Financial Stability Board Task Force on Climate-related Financial Disclosures and have mapped our approach to them. We are developing a strategy and implementing processes to:

- Assess the materiality of climate risk across our business;
- Identify and define a range of scenarios, including relevant physical and transition risk;
- Evaluate the business impacts;
- Identify potential responses to manage the risks and opportunities.

We will address a number of these and will disclose further information on our work in this important area.

Our climate-related financial disclosures

Our strategy

In 2017, we reviewed how we integrate environmental sustainability into our strategy and risk management processes, taking advice from external advisers and working with all parts of the business to understand work already planned and where we need to do more. We are committed to supporting the transition to a low carbon economy through our financial products and services, including renewable energy services.

Governance of climate change

The Responsible Business Committee, a sub-committee of the Board, will take overall responsibility for the Group's climate-related impacts and risks from 2018. It is chaired by an Independent Director, Sara Weller, and meets regularly throughout the year. We have refocused our executive-level Responsible Business Management Committee to become our Sustainability Committee and will ensure that colleagues with operational responsibilities across the Group's key divisions are actively involved in the development and implementation of a comprehensive environmental sustainability strategy. Discussions involving these Committees and the Commercial Banking leadership team were held in 2017 to start to examine the strategic implications of environmental challenges, including climate change.

Risk management

The Sustainability Committee will oversee the assessment of our climate-related risks,

escalating to the Responsible Business Committee and the Board Risk Committee as appropriate. Our divisions are each exposed to different levels of climate risk. For example, as a large home insurer, we are aware that global warming is projected to increase the risk of flooding and, consequently, weather-related insurance claims. It is important that we continue to work with our customers, industry peers and government to ensure that this risk is minimised and mitigated to keep flood insurance affordable.

Metrics and targets

We are working to develop strategic commitments and targets in response to climate-related risks and opportunities, with different parts of the business feeding into this target-setting process. This builds on our work to reduce the environmental impact of our own operations.

Our target is to reduce our overall CO₂e by 60 per cent by 2030 and 80 per cent by 2050, in line with the UK's emission reduction targets. This follows a science-based target-setting methodology. As part of our Green Loan Initiative, our target is to fund 5 million square feet of commercial real estate to become more energy efficient by 2020, the equivalent of five London Shards. We have set a new target to help provide power for 5 million homes through our investment in renewable energy by 2020.

We will also consider the supplementary industry-specific recommendations for the financial sector.



You can read more about environmental risk management on page 133 of our [2017 Annual Report and Accounts](#)

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Get in touch

Responsible Business & Inclusion
Group Corporate Affairs
25 Gresham Street
London
EC2V 7HN

Responsible.Business@lloydsbanking.com
[@LBGnews](https://twitter.com/LBGnews)

Alternative formats available on request

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