



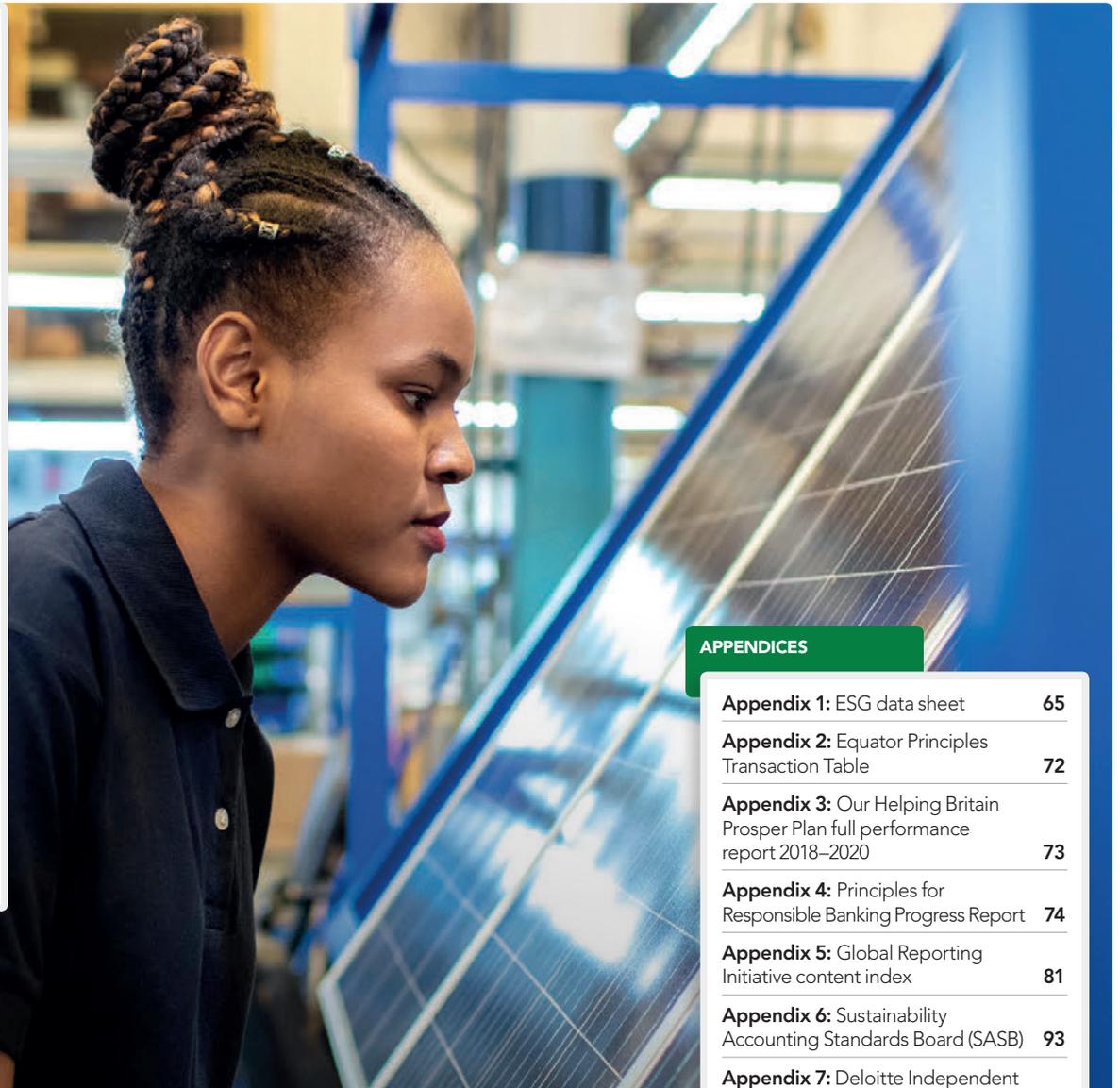
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Lloyds Banking Group
2020



INSIDE THIS REPORT

About this report	2
About Lloyds Banking Group	3
Being a responsible business	4
Our purpose	6
Our approach to responsible business and ESG performance	7
Our Helping Britain Prosper Plan	10
Our COVID-19 response	12
Strategic review 2021	14
Helping Britain Recover	15
Our environmental and social performance	19
– Helping the transition to a sustainable low-carbon economy (including TCFD disclosures)	19
– ESG in lending and investment	36
– Championing Britain’s diversity	39
– Assisting our customers	44
– Supporting businesses and SMEs	45
– Helping Britain get a home	48
– Building financial resilience	50
– Supporting our communities	54
– Supporting our colleagues	57
– Conducting our business responsibly	61



APPENDICES

Appendix 1: ESG data sheet	65
Appendix 2: Equator Principles Transaction Table	72
Appendix 3: Our Helping Britain Prosper Plan full performance report 2018–2020	73
Appendix 4: Principles for Responsible Banking Progress Report	74
Appendix 5: Global Reporting Initiative content index	81
Appendix 6: Sustainability Accounting Standards Board (SASB)	93
Appendix 7: Deloitte Independent Assurance Report	99

About this report

Our reporting is evolving

This is our first Environmental, Social and Governance (ESG) Report. We have noted a shift in stakeholders increasing their focus on ESG performance when assessing the overall success of a company. We have listened to our investors' and stakeholders' feedback, to make this document a more useful tool for understanding and engaging with our ESG performance for all of our stakeholders, including shareholders. This means we are responding more clearly to the key ESG topics which emerged during our 2020 materiality exercise, while reporting back on the progress of our Helping Britain Prosper Plan.

We have continued to review and enhance our methodologies and framework for reporting our ESG performance. This review has taken into account a range of industry guidelines including the Task Force for Climate-related Financial Disclosures (TCFD), the Principles for Responsible Banking (PRB), the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). We will continue to engage with the emerging World Economic Forum ESG reporting metrics and the development of these disclosure standards.

Scope of this report

The report covers the period from 1 January to 31 December 2020 and, where relevant to performance, refers to activities and events before and after this period.

Assurance

Deloitte LLP has provided limited assurance over selected environmental and social key performance indicators. The assurance statement can be found on pages 99 and 100 of this report.

The below symbols indicate which underlying areas of ESG performance support our societal ambitions. Our 2020 environmental and social performance in each of these areas is discussed in more detail in this report.

Selected disclosures related to good governance practices that support conducting our business in a responsible manner are included in this report. Further disclosures related to the governance of the Group can be found in the 2020 Annual Report and Accounts.

E Environmental

Our environmental indicator relates to areas of our performance which have an environmental impact.

S Social

Our social indicator relates to areas of our performance in respect of our management of relationships with employees, suppliers, customers and the communities within which we operate.

G Governance

Our governance indicator relates to areas of performance that support good governance practices and facilitate Lloyds Banking Group being considered a responsible business.

Helping Britain Prosper priority areas

Our 2020 performance on our seven priority Helping Britain Prosper areas can be identified in the following text by this indicator.

Additional links



- [Lloyds Banking Group SASB Index](#)
- [Lloyds Banking Group GRI Index](#)
- [Lloyds Banking Group PRB Self-Assessment Template](#)
- [Our Responsible Business Downloads Centre](#)
- [Our Investor Relations ESG webpage](#)
- [Our 2021 ESG Investor Presentation](#)
- [Lloyds Banking Group 2020 Annual Report and Accounts](#)
- [Lloyds Banking Group 2020 Gender Pay Gap Report](#)
- [Lloyds Banking Group 2020 Ethnicity Pay Gap Report](#)
- [Lloyds Banking Group UN Global Compact Communication](#)
- [Our Helping Britain Prosper Plan](#)
- [The Big Conversation – Helping Britain Recover Report](#)



About Lloyds Banking Group

Lloyds Banking Group is an integrated UK financial services leader. We are the largest UK retail and commercial financial services provider with approximately 25 million customers and a presence in nearly every community within the UK.

The Group has a unique customer proposition enabling us to serve the financial needs of our customers in one place. We operate multiple brands through three core divisions: Retail, Commercial Banking, and Insurance and Wealth. The Group's main business activities include retail and commercial banking, general insurance and long-term savings, provided through multiple well-recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.



25 million

customers and a presence in nearly every community

98%

of our employees work in the UK

3,000

Our active supplier base



Retail

Our Retail division is a leading provider of current accounts, savings, credit cards, loans, mortgages, insurance and motor finance.

We have one guiding focus – to be the best bank for customers by improving customer service and earning trust and loyalty from making customers central to everything we do. With our strong brands, including Lloyds Bank, Halifax and Bank of Scotland, our Retail division serves millions of customers.



Commercial Banking

Our Commercial Banking division has a rich heritage of supporting businesses and the economic prosperity of the nation, primarily focused on UK businesses and those with strong links to the UK.

We provide customers with the support they need to help them grow, manage risk and enhance efficiency. We continue to invest in our relationship teams and deepen our product expertise to ensure we deliver first-class service.



Insurance and Wealth

Our Insurance and Wealth division helps millions of customers with their long-term protection, retirement and investment needs.

Our Insurance business is one of the largest in the UK. We have a strong heritage, helping our customers every day with their diverse and critical needs including life insurance, pensions, investments and general insurance (home and car).

OUR BUSINESS MODEL

Doing the right thing for our customers, colleagues and shareholders – by meeting their financial needs, helping them succeed, improving our service proposition and creating value for them – is fundamental to our business model and the long-term sustainability of the business.

- **Multi-brand, multi-channel proposition** with the UK's largest digital bank and branch network
- **Differentiated and sustainable customer franchise with leading integrated propositions.** Our scale and reach across the UK means that our franchise extends to over 25 million customers, with 17.4 million digitally active
- **Market-leading efficiency through tech-enabled productivity improvements** enabling us to invest more to the benefit of both customers and shareholders

- **Prudent, low-risk business with strong capital position.** Being low risk is fundamental to our business model. Our low risk appetite is reflected through the quality of our loan portfolio and underwriting criteria. Our financial strength has been transformed in recent years and our capital position is strong
- **Purpose-driven and customer-focused culture.** Our clear purpose of Helping Britain Prosper is driving the business and our current focus on Helping Britain Recover is at the heart of our evolution of strategy
- **Inclusive and diverse organisation.** Being one of the largest employers in the country, we will further focus on developing an inclusive, diverse, skilled and future-ready workforce
- **Rigorous execution and management discipline.** Experience of delivering change in recent years provides benefit as we further transform the business

Being a responsible business

Letter from the Chair of the Responsible Business Committee



Our company's purpose, to Help Britain Prosper, runs throughout our work, as we help customers achieve their goals on a daily basis.

Sara Weller CBE
Independent Director

£12bn

of lending through government-backed lending schemes

1.8m

people have been trained in digital skills

c.1.3m

payment holidays have been granted to retail customers

Lloyds Banking Group has a long history supporting people and businesses across the country, and as Britain's largest retail and commercial bank, the Group takes its role in the UK economy and society very seriously.

With a very wide range of ESG issues currently under the spotlight, each year the Board, advised by its Responsible Business Committee which I chair, listens to a range of stakeholder views to identify the most material issues affecting the Group and to prioritise areas for particular focus, where the Group believes it can make the greatest contribution.

These priorities were captured in the Helping Britain Prosper Plan (HBPP), which formed the backbone of the work within the Bank to ensure we delivered on the public commitments we made, whether these related to household finances, equality and diversity within the Group, tackling disadvantage in our communities, including through our four charitable Foundations, or in supporting the UK transition to a lower-carbon economy.

The HBPP has constantly evolved since it was first published in 2014 and has become increasingly embedded into the day-to-day work of the Group. Not only did it make our priorities visible to everyone, inside and outside the organisation, but it ensured transparency of our performance and allowed stakeholders to hold us to account on our progress.

2020 has brought great change in the way we all live and work. Our colleagues have worked to support our customers and communities through this time with extraordinary resilience and resourcefulness. The Group has continued to put serving customers and supporting colleagues at the heart of its operation. Over 90 per cent of branches remained open throughout the deepest periods of lockdown; since 2018, 1.8 million people have been supported to move online; during 2020, 1.3 million payment holidays have been granted to retail customers; £12 billion was lent through government-backed lending schemes; and the Group made over 750,000 calls to check on the wellbeing of our customers when isolation prevented them from going out.

2020 also saw the Group be the first FTSE 100 business to commit to a public target of 3 per cent of senior roles being taken by Black colleagues, following on from our earlier public commitment to work towards 40 per cent of senior roles being held by women and 10 per cent being held by colleagues from a Black, Asian and Minority Ethnic background. Targets are not a goal in themselves, but they are a tool through which to highlight and reinforce the changes in behaviours that are needed to create a truly inclusive culture that reflects the diversity of the UK today.

Looking ahead into 2021, as the HBPP draws to a close, the Group will continue its work on these key critical aspects of responsible business with a renewed focus of Helping Britain Recover, in alignment with our ongoing purpose of Helping Britain Prosper, and work to make this a recovery with environmental sustainability and social inclusivity at its heart.

There are many milestones to be reached in 2021. We will look to increase the extent of our reporting disclosures on environmental measures towards full compliance with the recommendations of the TCFD standards. We will work with customers to return them to financial stability after a year of intense disruption for many individuals and businesses. And we will support the country's aim to recover sustainably by providing increased green finance to businesses to help them prepare for, and take advantage of the opportunities created by the transition to lower-carbon growth, in areas such as housing, real estate and vehicles.

As I approach the end of my nine-year term on the Board, I reflect on how far we have travelled, in putting responsible business, and our Helping Britain Prosper Plan, at the heart of our business. Achieving external recognition for this, through organisations such as ShareAction or the Bloomberg Gender-Equality Index is satisfying, but much more important is the way the business now places responsible business firmly at the heart of its words and actions.

As one of the UK's largest businesses, Lloyds Banking Group will focus on the substantial contribution it can make to many of today's most pressing challenges: accelerating the transition to a low-carbon economy; expanding the availability of affordable and quality homes; helping to rebuild households' financial health and wellbeing; supporting businesses to recover, adapt and grow; and building an inclusive society and organisation. Our focus of Helping Britain Recover will allow the Group to play our part in rebuilding the economy and society with commitments that will support a recovery that is sustainable and includes all the nations and regions in our society.

I would like to welcome Amanda Mackenzie, who will be taking on the role as Chair of the Responsible Business Committee following my retirement from the Board in 2021. Amanda has been a Non-Executive Director since October 2018, and is a current member of the Responsible Business Committee. I am confident she will continue to support the Group's progress in delivering our purpose.

We hope our successes to date, and ambitions in achieving a positive societal impact, are reflected and demonstrated in this report.

► Being a responsible business

Our long-term ESG focus is supported by our awards and ratings

RECOGNITION OF OUR ACTIVITY

Lloyds Banking Group received the following accolades in 2020.

Category	Award detail	
Ethnicity	Investing in Ethnicity Awards 2020: Outstanding Employer	
Gender equality	Recognised for leading the way towards an equal and more inclusive workforce	
Women in business	Featured in The Times Top 50 Employers for Women	
Working families/agility	Recognised for the sixth consecutive year as a Top 10 Employer for Working Families	
Culture	Your Best, our employee career development and performance management approach, has been successful in nine awards so far including the Best Large Organisation for Culture in the Business Culture Awards, the Learning and Development award from Investors in People, and the Best Change Management Initiative from the Personnel Today Awards	
COVID-19 response in our facilities	Mitie and Lloyds Banking Group jointly won an Institute of Workplace and Facilities Management Impact Award for our COVID-19 response: Keeping Good Work Going Award	

OUR PERFORMANCE ON ESG INDICES

We continue to review our scores, enhance our disclosures and actively engage with rating agencies and ESG indices to address the information needs of our stakeholders in this space.

ESG index and scoring	2018	2019	2020
MSCI Scale: AAA to CCC, AAA as a best possible score	BBB	BBB	AA
Sustainalytics Scale: 0–100, 0 as a best possible score	27	24.4	23.3
ISS-ESG Corporate rating Scale: D- to A+, A+ as a best possible score	C	C	C
S&P Global CSA/DJSI Scale: Ranking of companies, 100 as a best possible score	47	45	43
FTSE4Good Scale: 0–5, 5 as a best possible score	4.2	4.4	4.6
Bloomberg ESG Disclosure Scale: 0–100, with 100 as a best possible score	57	58	58
Bloomberg Gender-Equality Index Scale: 0%–100%, with 100% as a best possible score	N/A	83%	83%
CDP (formerly Carbon Disclosure Project) Scale: A+ to F, with A+ as a best possible score	A	A	A-
ShareAction – Banking on a Low Carbon Future II Rated 16th in 2017 Scale: Ranking of 20 banks, 1st being the best ranking score	N/A	2nd	N/A
Responsibility100 Index (Tortoise) Lloyds Banking Group provide an annual submission in March 2020 Scale: Ranking of 100 FTSE listed companies, 1st being the best ranking score	N/A	17th	8th
Workforce Disclosure Initiative Scale: Number of questions with a meaningful response expressed as a percentage, 100% as a best possible score	83%	75%	85%

N/A indicates a year that we did not participate in the index.

Our purpose

Our purpose is to Help Britain Prosper. This is central to our strategy and underpins everything we do. Our Helping Britain Prosper Plan was introduced to address some of the social, economic and environmental challenges facing the UK and has underpinned our ESG priorities.

For more than 320 years, with our unique family of brands, we have supported Britain through the good times and the bad: this time is no different. We have and will continue to support our customers and colleagues to get through these extraordinary times.

In 2014, the Group launched the Helping Britain Prosper Plan to address some of the social, economic and environmental challenges facing the UK. This was a unique undertaking at the time as the Plan took us beyond business as usual, uniting the Group behind an inspiring set of objectives.

We have an important role to play in Britain's recovery, working with others to help build an inclusive, greener and more resilient economy for the whole of the UK.

We aim to help our customers, clients, colleagues and communities get through the crisis and back on their feet, while delivering long-term sustainable success for shareholders.

Further information related to our purpose is on page 12 of the Lloyds Banking Group Annual Report and Accounts 2020.



Additional links



- [Lloyds Banking Group Homepage](#)
- [Lloyds Banking Group Annual Report and Accounts 2020](#)

Our approach to responsible business and ESG performance

With the Group's unique position at the heart of the British economy, we embrace our responsibility to help address some of the economic, social and environmental challenges that the UK faces. Our success is inextricably linked to the health and success of the UK.

At Lloyds Banking Group, being a responsible business means operating ethically and inclusively, meeting our legal and regulatory requirements, and always considering the impact on our employees, the community, society and the environment.

Our ESG approach is fully aligned to our strategy and the interests of our stakeholders. The ESG aspects of our performance play an integral part in the delivery of the Lloyds Banking Group purpose and strategy and, without them, it would not be possible to make progress and achieve our societal goals.

Through our societal commitments published externally and wider ESG and responsible business activities, we are actively supporting the UN's sustainable development agenda, and supporting the UK in working towards the UN Sustainable Development Goals.

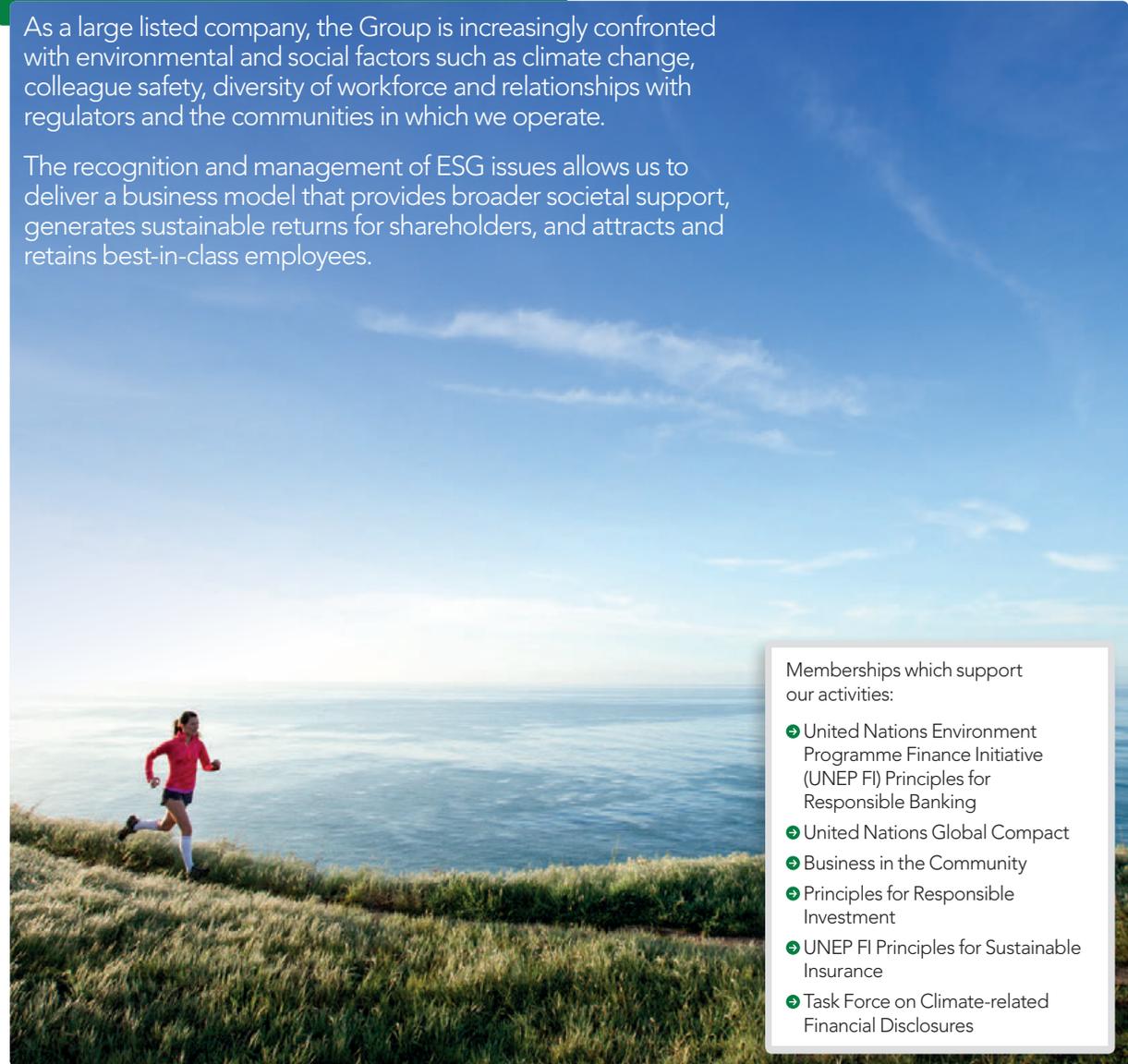
This will continue to be the case with the updated focus on Helping Britain Recover and our Helping Britain Recover commitments.

[➤ Read more about our Helping Britain Prosper Plan](#)

OUR ESG APPROACH IS GUIDED BY OUR PURPOSE

As a large listed company, the Group is increasingly confronted with environmental and social factors such as climate change, colleague safety, diversity of workforce and relationships with regulators and the communities in which we operate.

The recognition and management of ESG issues allows us to deliver a business model that provides broader societal support, generates sustainable returns for shareholders, and attracts and retains best-in-class employees.



- Memberships which support our activities:
- United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking
 - United Nations Global Compact
 - Business in the Community
 - Principles for Responsible Investment
 - UNEP FI Principles for Sustainable Insurance
 - Task Force on Climate-related Financial Disclosures

► Our approach to responsible business and ESG performance

Responsible business governance and accountability

Creating and sustaining a values-led culture with good governance is crucial to ensuring that our colleagues remain engaged, well informed and able to effectively deliver our strategy.

Our internal governance and controls, comprising numerous policies and standards, aim to treat all stakeholders fairly while minimising risk.

Our Board-level Responsible Business Committee (RBC) oversees the Group's performance as a responsible business and delivery of our sustainability strategy. Both the Board and RBC are supported by the Group Executive Committee, which is in turn supported by a dedicated Sustainability Committee.

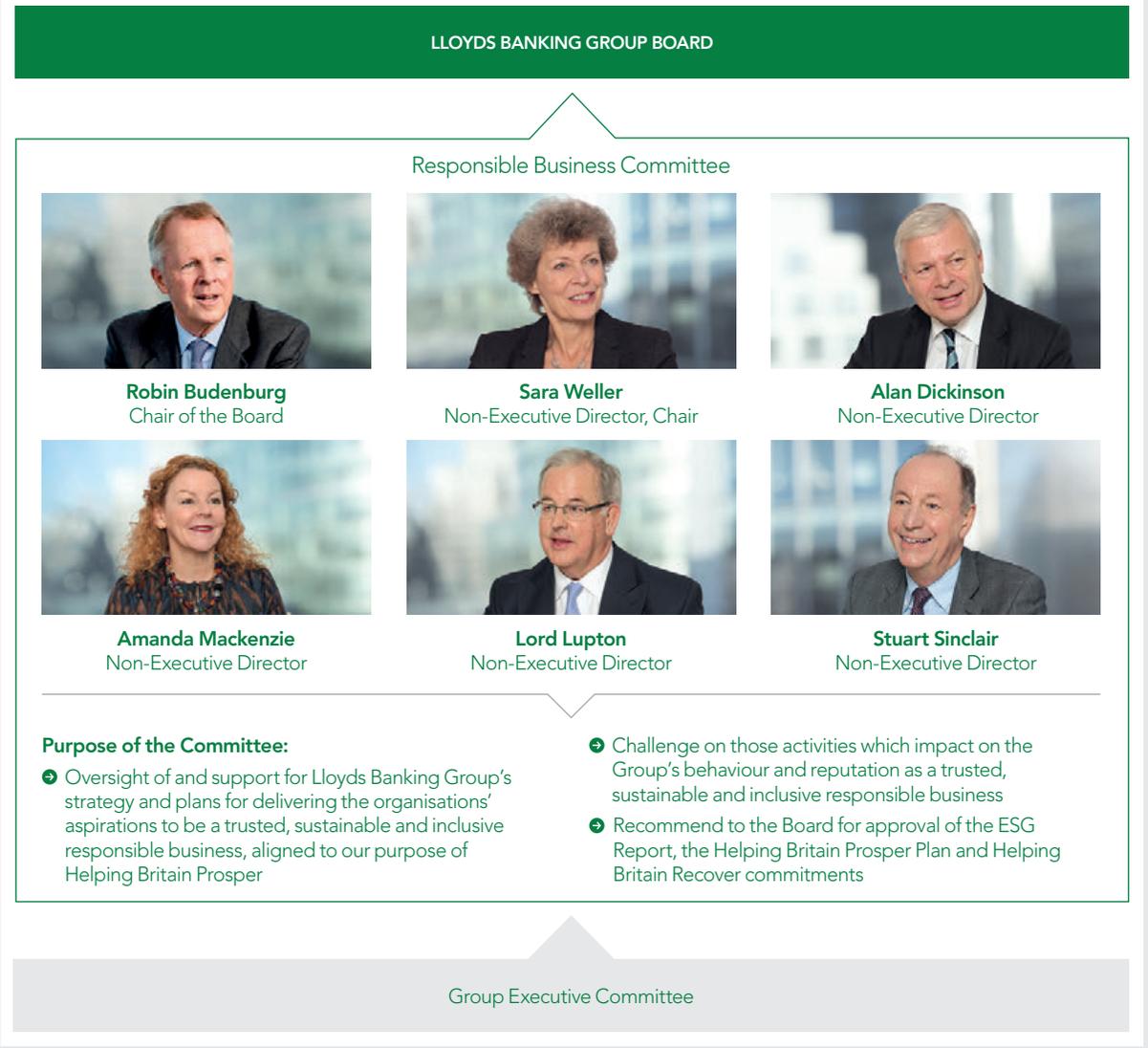
Committee changes

Sara Weller will have served nine years as a Non-Executive Director in February 2021, and accordingly plans to retire as Chair of the RBC and a Non-Executive Director at the AGM in May 2021. Amanda Mackenzie, a Non-Executive Director since October 2018, will take on the role as Chair of the RBC following Sara's retirement from the Board.

Sarah Legg, a Non-Executive Director since December 2019 and Chair of the Audit Committee, has been appointed as a member of the RBC with effect from 1 February 2021.

"We established the Board-level RBC in 2015 as a further demonstration of our commitment to sustainability and to put customers and communities at the heart of everything we do. I would like to thank Sara for her leadership and commitment in chairing the Committee since then. The Board will miss Sara's contribution and counsel. Amanda's customer focus has been a major asset to the RBC, and I am very pleased Amanda has agreed to take on the role of Chair of this Committee. I am also grateful to Sarah for taking on this important additional role."

Robin Budenburg
Group Chair



► **Our approach to responsible business and ESG performance**

Understanding the issues that matter to our stakeholders

Engaging and responding to stakeholders is fundamental to being a responsible business.

Each year we gather a wide range of views through our formal materiality assessment with our stakeholders, which guides both our strategy and reporting.

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 social media, such as digital broadcasts. We conduct a dedicated responsible business materiality assessment every year to help us shape our corporate reporting and inform our strategic thinking.

This year we used insights gathered from stakeholders including investors, industry bodies, special interest groups and key opinion formers.

Disclosure standards such as the GRI and SASB were considered in the identification of material issues and disclosures.

Our approach to materiality

Our materiality assessment comprises four stages: issue identification, prioritisation, validation and review. Through this process, a wide range of issues relating directly to ESG performance and impacts related to the financial sector were identified.

OUR 2020 STAKEHOLDERS AND MATERIAL ESG ISSUES

Our 2020 materiality analysis identified a number of critical themes which we have addressed through this report:

Our stakeholders	How we engage	Material topics identified through engagement	Our response
Colleagues	➔ ESG investor presentations	The transition to a low-carbon economy	Page 19
Investors and shareholders	➔ ESG reporting	Environmental risks in lending	Page 36
Clients	➔ ESG index responses	Race action and inclusion	Page 40
ESG ratings agencies	➔ Annual reporting	Supporting for vulnerable customers and vulnerable groups	Page 44
ESG analysts	➔ Meetings, email communication and telephonic communications	Support for businesses and small or medium-sized businesses (SMEs)	Page 45
Communities	➔ Press releases	Financial resilience	Page 50
Non-governmental organisations (NGOs)	➔ Communication to employees through our interchange sites	Access to skills	Page 46
Regulators and governments	➔ Client events	Financial education	Page 50
Industry bodies	➔ Engagement with industry bodies and participation on sector working groups and forums	Adaptation to ways of working due to the pandemic	Page 57
Suppliers	➔ Direct engagements with investors, NGOs, shareholders and clients on ESG matters	Health and wellbeing of colleagues	Page 57
		Colleague training	Page 59
		Impact of the COVID-19 pandemic on the Group	Page 32 of the 2020 Annual Report and Accounts Pages 44–64
		Customer data security	Page 63

Key decisions taken by the Board to reflect the needs of our stakeholders can be found on page 46 of the Lloyds Banking Group Annual Report and Accounts 2020.

How materiality informs our reporting

The findings of the materiality assessment were discussed and validated internally. Our Group Sustainable Business team and our external advisers reviewed the process and its outcomes, and our reporting was

shaped by the materiality process outputs. The categories and issues ranked as most material directly inform the content of our 2020 Annual Report and Accounts, and this report.

Our Helping Britain Prosper Plan

Addressing some of the social, economic and environmental challenges facing the UK is the foundation of our Helping Britain Prosper Plan. The plan has taken us beyond business as usual, focusing our effort on key identified areas of societal benefit in the UK economy.

In 2014, the Group announced its clear and focused purpose to Help Britain Prosper, and we were the first bank to launch a plan setting out how we intended to help address some of the economic and social challenges the UK faces.

In 2018, as part of its inclusion in the Group Balanced Scorecard, we set specific targets across six areas of focus aligned to our three-year strategy, including environmental sustainability.

Originally tracking our progress against numerous metrics, over the years as a result of reviews of our context, the economy, our strengths as an organisation and stakeholder engagements, we have continually refined and re-focused our plan and our metrics on the things that we think matter most.



Being a responsible business:
The Helping Britain Prosper Plan journey



2014

The Group was the first FTSE 100 company to set a public goal on gender diversity.

2015

The Helping Britain Prosper Plan was reviewed to ensure its continued relevance to our business and our stakeholders.

2018

We developed a renewed Helping Britain Prosper Plan for the 2018–2020 period reflecting our new strategy.

We were the first FTSE 100 company to target an increase in the proportion of Black, Asian and Minority Ethnic colleagues at both an overall and senior management level.

2019

We introduced a new area of focus: helping the transition to a sustainable low-carbon economy, increasing the number of our key priority areas.



► Our Helping Britain Prosper Plan



2020

Our final year of implementation of our Helping Britain Prosper Plan 2018–2020.

+ Our full performance from 2018 to 2020 can be found on page 73 of this report.

✓ Indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/our-group/responsible-business/reporting-centre/>.

Our Helping Britain Prosper priorities

Helping the transition to a sustainable low-carbon economy

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

10.1m Target: 5m

Tackling social disadvantage across Britain

Number of charities we supported in 2020 as a result of our £100 million commitment to the Group's independent charitable Foundations

2,787 Target: 2,500

SASB indicator:

- FN-CB-240a.1
- FN-CB-240a.2
- FN-CB-240a.4

Helping people save for the future

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

£45.6bn Target: £50bn

Helping Britain get a home

Amount of lending committed to help people buy their first home

£39.7bn Target: £30bn

Building capability and digital skills

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

1.8m Target: 1.8m

Supporting businesses to start and grow

Increased amount of net lending to start-up, SME and Mid Market businesses

>£6bn Target: £6bn

Championing Britain's diversity

Percentage of senior roles held by women in 2020 ✓

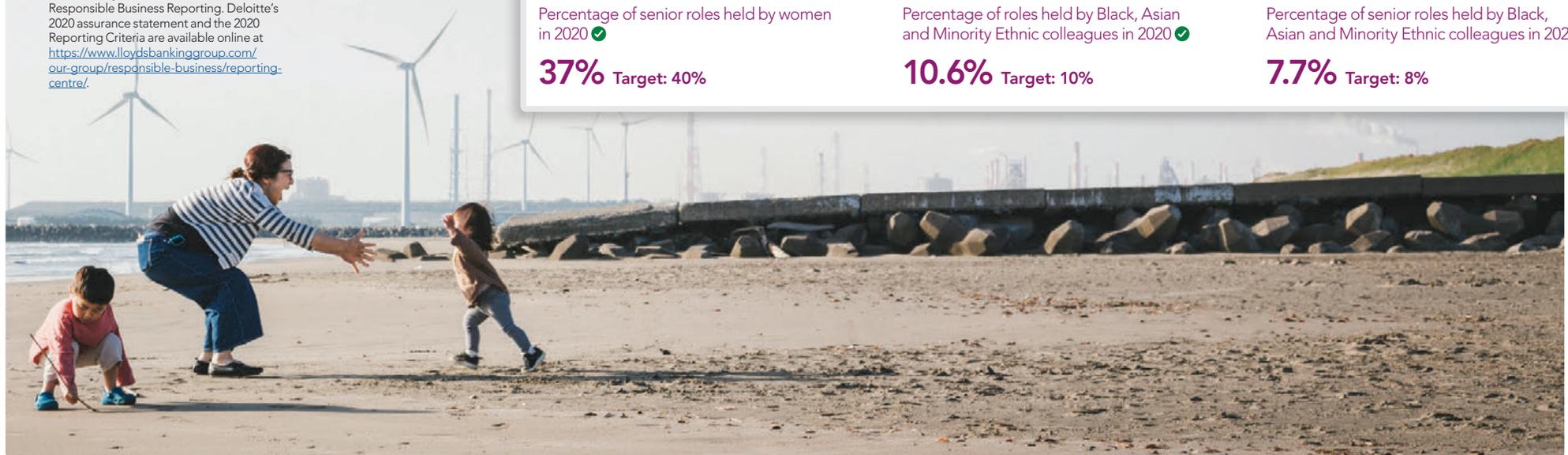
37% Target: 40%

Percentage of roles held by Black, Asian and Minority Ethnic colleagues in 2020 ✓

10.6% Target: 10%

Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues in 2020 ✓

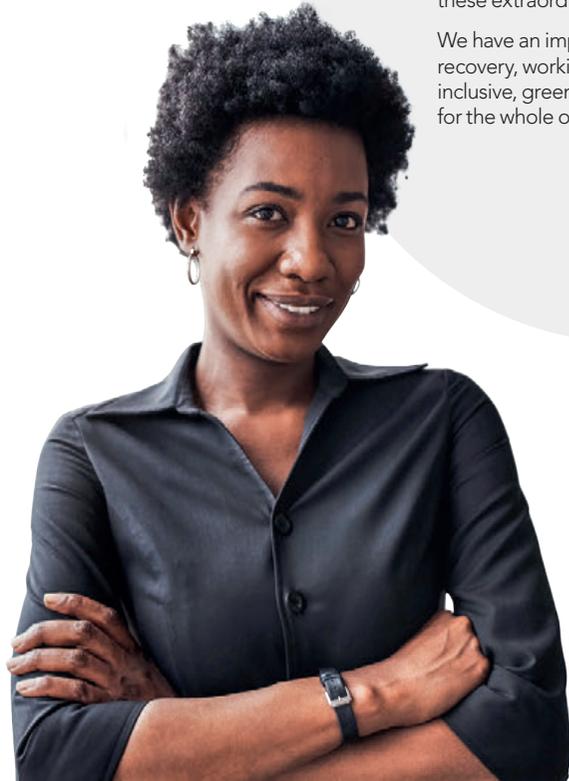
7.7% Target: 8%



Our COVID-19 response

During an extraordinarily challenging time we are **Helping Britain Recover**, as part of our Group purpose of **Helping Britain Prosper**.

We have lent over £12 billion to help businesses bounce back and granted around 1.3 million payment holidays to support customers, while increasing customer satisfaction, strengthening our franchise with growth in deposits and further enhancing our leading digital proposition, which now serves 17.4 million customers.



Our Group

We have and will continue to support our customers and colleagues to get through these extraordinary times.

We have an important role to play in Britain's recovery, working with others to help build an inclusive, greener and more resilient economy for the whole of the UK.



Supporting customers

Many people continue to feel the impact of the past year on their personal finances. We have approved around **1.3 million** payment holidays for our customers who have mortgages, personal loans, credit cards and car finance with us since the start of the outbreak, and are helping our customers to re-plan their finances.

Our dedicated telephone services, with extended opening hours for the over-70s and NHS workers, have taken around **880,000 calls** since the end of March, allowing us to prioritise support for these customers and their urgent needs. We've also proactively made over **750,000 calls** to check on the wellbeing of our vulnerable customers. These services will continue.



► Our COVID-19 response



Supporting businesses

As a result of the lockdowns, businesses are facing challenges like never before. Many have been forced to close and furlough their staff, while others have had to adapt to external changes. Whatever situation our business customers have faced, we've stood by their side.

We have supported them to obtain more than **£12 billion** in finance through the government schemes, helped them to manage their cash flow by granting around **34,000 capital repayment holidays** and helped their working capital by agreeing around **22,000 businesses** fee free overdrafts.

We are doing our best to help and advise British businesses of all sizes so that, as lockdown eases, they can adapt their business models to re-open safely and profitably.



Supporting communities

The effects of coronavirus will remain for some time to come; that's why we're providing extra practical and emotional support for the most vulnerable in society.

Through a range of new and existing partnerships, we are providing extra capacity in friendship services, mental health programmes and digital skills training. We have also provided **£25.5 million** to our charitable Foundations in 2020 and have guaranteed the same funding for 2021, to keep those who are isolated connected and give people support when they need it most.

Supporting our colleagues

We're taking every precaution to protect our colleagues. More than **50,000 colleagues** worked from home for most of 2020, up from 15,000 before the pandemic, and this will continue, until at least summer 2021.

Where our colleagues are providing an essential service for the UK, such as in our call centres and branches, we are following social distancing rules, to keep both our colleagues and customers safe.



Strategic Review 2021

Lloyds Banking Group is a customer-focused, sustainable, efficient and low-risk UK financial services leader with the clear purpose of Helping Britain Prosper. The next phase of our strategy, Strategic Review 2021, is focused on Helping Britain Recover and further enhancing our core capabilities.

Through this approach, which is focused on near-term execution and underpinned by our longer-term strategic vision, we are aiming to capture the coordinated growth opportunities available to us in our two core business areas by creating the UK's preferred financial partner for personal customers and the best bank for business.

Strategic Review 2021 builds on our core capabilities and the strong foundations from previous strategic reviews, reinforcing our customer focus. We have made significant progress in recent years, leveraging the unique strengths and assets of the Group, including our purpose-driven and customer-focused business model, our low-risk approach to business, our market-leading efficiency and our leading multi-channel propositions, including the largest digital bank and branch network in the UK. This has created the platform for Strategic Review 2021.

The UK's preferred financial partner

Through delivery of the strategy, we intend to create the preferred financial partner for personal customers and the best bank for business. Delivery of our customer-centric ambitions will be supported by accelerating the Group's transformation, with particular focus on:

- Delivering a modernised technology architecture
- Building an integrated payments platform
- Creating a data-driven organisation
- Implementing re-imagined ways of working

Our superior cost structure has enabled us to maintain high levels of strategic investment. We will invest around £0.9 billion this year to support the Strategic Review 2021 initiatives and the long-term strength of the business.



Helping Britain Recover

As the task of rebuilding the economy and society begins, we are playing our part to support the country's recovery. Having helped over a million households and hundreds of thousands of businesses in 2020, our purpose of Helping Britain Prosper very much remains. We are committed to supporting a recovery for a sustainable and inclusive society.

THE ROLE OF THE GROUP IN RESPONDING TO SOCIETAL ISSUES

We continue to embrace our responsibility to help address some of the biggest social, economic and environmental challenges.

June 2019

Group's role in the society of the future

As part of the regular annual strategy meeting reviewing the Group's strategic context and direction, the Board and senior management took part in a discussion on the evolving obligations to the society of the future, and how the Group can play a more active role in responding to societal challenges in line with its purpose of Helping Britain Prosper.

The debate was aided by external speakers, who offered their views and gave the Group new perspectives and impetuses.

Up to June 2020

Strategic options and societal areas of focus

Building on these discussions, working with external advisers such as Social Finance and influenced by thinking of organisations such as Blueprint for Better Business, the Group reviewed societal trends shaping the lives and prospects for individuals and families in the UK, and identified key areas of focus where the Group could play a more prominent role.

Alongside this, a strategic framework enabling the incorporation of societal considerations into business operations was developed to assist in strategy development.

High-level strategic options were discussed with the Board and senior management as part of their annual strategic discussion in June 2020.

Up to February 2021

Short- and medium-term societal response

Based on the outcomes of the Board and senior management discussions, the Group developed both short- and medium-term societal responses as part of formulation of business plans under the Strategic Review 2021.

Recognising the continued need to support people, businesses and communities across the UK through the pandemic, the short-term response focuses on helping Britain to recover, while establishing a longer-term foundation for the Group to play a role in building a sustainable and inclusive society and economy.

Our commitments for 2021 are summarised in Helping Britain Recover.

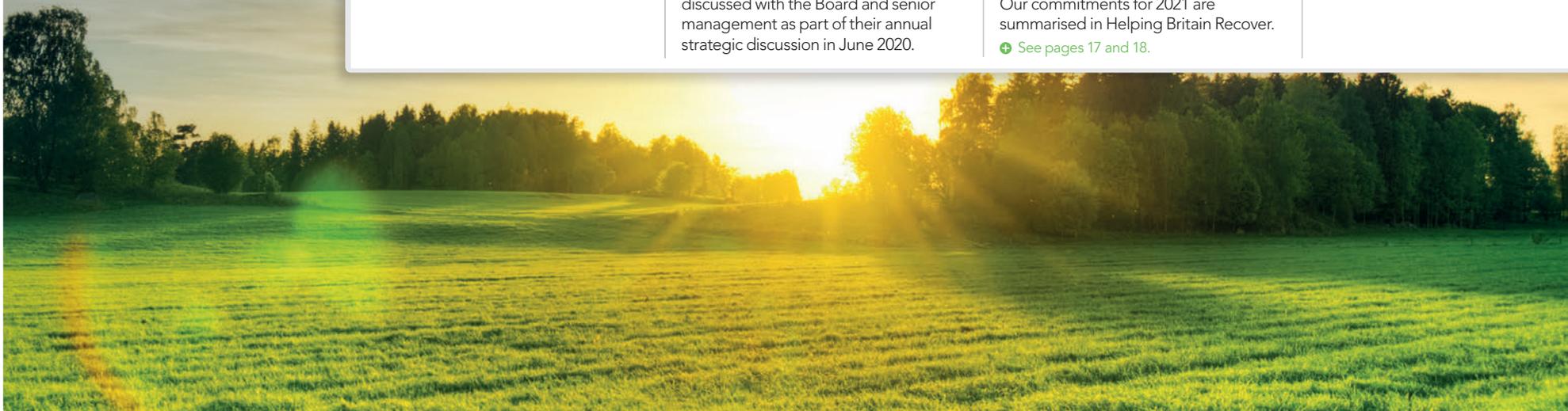
[+ See pages 17 and 18.](#)

2021 onwards

Ongoing development as part of business strategy

We will continue to build on our strengths to identify new opportunities to contribute to building a more sustainable and inclusive society and take a leadership role to contribute and realise positive societal and business benefits.

To support our efforts, we will continue to embed societal considerations into our Group strategy, decision-making, processes and culture, and evaluate our societal impact.



► **Helping Britain Recover**

We have considered and consulted a wide range of stakeholders when developing our societal response and our Helping Britain Recover commitments

Customers and clients

We always listen to our customers' and clients' feedback and views, respond to their needs and evaluate our broad insights to be able to react more effectively. Specifically, in preparing our strategy, we ran bespoke research looking at people's expectations of financial institutions and where these should play a more active role. As part of The Big Conversation, a series of discussions focusing on rebuilding the country after the pandemic, we also explored the views of a broad range of our clients and discussed the support they think is needed from financial services to get people and businesses in the UK back on their feet.



Regulators

We maintain a regular and proactive dialogue with our regulators on a wide range of topics which include, among others, our culture, purpose and responsibility to our customers and wider society.



Corporate stakeholders

A wide range of corporate stakeholders, including opinion makers, community leaders and politicians at national and local levels have been involved in discussions about our role in society, most prominently through the regional thematic discussions under the Big Conversation series.



Colleagues

Our people are one of our key competitive strengths and, as such, we are continuously striving to be a better employer, evaluating what we hear from our regular colleague surveys. We regularly learn that purpose and its reflection in their day-to-day job is very important to our colleagues. When developing our societal strategy, we have been working across the Group, ensuring that a wide range of people is involved and their views are reflected.



Shareholders

We are committed to delivering sustainable returns to our shareholders. We are proud to have the largest retail shareholder base in the UK as well as belonging to portfolios of most pension funds, and are devoted to maintain a dialogue with all types of our shareholders. As part of this, we are increasingly engaging on a variety of ESG topics, improving our disclosure and communications and were one of the first UK financial institutions with a dedicated investor relations contact for ESG.



► Helping Britain Recover

Helping Britain Recover

We recognise that the focus of the Group's purpose must evolve in response to the current environment and changing customer needs and expectations.

With the evolution of our strategy, we will further embed our purpose across all of our activities. This will ensure we contribute to creating an environmentally sustainable and inclusive future for the UK and by doing so build a successful and sustainable business.

The COVID-19 pandemic will have lasting social and economic effects on the UK. Its impact has been felt by everyone, whether through financial hardship, reduced choices, mental distress or personal loss. Our focus will therefore be to Help Britain Recover, and we are committed to working with others in five areas where we can make the most difference.

Through Helping Britain Recover and wider responsible business activities, we will be actively supporting the UN's sustainable development agenda, using our key skills to focus our resources on making an impactful benefit to the UK and working towards the realisation of the UN Sustainable Development Goals (SDGs).

Our near-term focus of Helping Britain Recover allows the Group to focus our business strategy, harness our expertise within the Group to make an impactful contribution to addressing some of the issues highlighted in the SDGs, and assist in building a more inclusive and sustainable economy.



Help rebuild households' financial health and wellbeing

We will help rebuild households' financial health and wellbeing



We remain committed to supporting our customers to become financially resilient and to plan and save for the future. We will provide practical support, and flexibility where possible, to help our customers facing financial difficulty to get back on track and help as many customers as we can to stay in their own home.

In 2021, we will:

- Have over **6,500 colleagues** trained to support customers to build their financial resilience
- Maintain our commitment to supporting mental health, and become accredited as **Mental Health Accessible** for Halifax and Bank of Scotland, in addition to the existing Lloyds Bank accreditation
- Partner with **independent debt advice organisations** to ensure customers have access to practical support



Support businesses to recover, adapt and grow

We will support businesses to recover, adapt and grow



We will be by the side of businesses as they recover, supporting UK business to adapt and grow, and create quality jobs across the regions of the UK.

In 2021, we will:

- Develop **appropriate recovery plans** for our customers, supported by **1,100 business specialists** in communities across Britain
- Support at least **75,000 UK businesses to start up** in 2021
- Help at least **185,000 small businesses boost their digital capability** through our regional academies, partnerships and digital mentoring



Expand availability of affordable and quality homes

We will expand the availability of affordable and quality homes



As the UK recovers from the pandemic, we aspire to a UK in which all households have access to stable, affordable and safe homes in places they want to live. We are committed to broadening access to home ownership and exploring opportunities to increase our support to the UK rental sector.

In 2021, we will:

- Provide **£10 billion of lending to help people to buy their first home in 2021**, and **lead a national conversation** on how more households can access the housing market
- Provide **£1.5 billion of new funding support, including £500 million in ESG-linked funding**, in support of the social housing sector
- Support the creation of **national sustainability standards** for housebuilding finance and assess the **energy retrofit requirements of over 200,000 homes** in the social housing sector



We engage with a range of stakeholders, industry-led bodies and collaborative memberships on topics, progress in our sector and impacts of our business in support of the achievement of the SDGs. We are members of the UK Finance Sustainability Committee, TCFD and Sustainable Finance working groups, and UNEP FI Principles for Responsible Banking.

► Helping Britain Recover



Accelerate the transition to a low-carbon economy

We will help accelerate the transition to a low-carbon economy



With recovery comes an opportunity to build a greener future, creating new businesses and jobs. We want to play our part in supporting the transition to net zero and are committed to working with customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner.

In 2021, we will:

- ➔ Expand the funding available under our **green finance initiatives from £3 billion to £5 billion**, to support businesses to transition
- ➔ Launch a new goal to ensure **our own operations are net zero by 2030**
- ➔ Become the **first major pensions and insurance provider** to target halving the carbon footprint of all our c.£170bn investments by 2030 on our path to net zero by 2050
- ➔ Introduce a **flagship fossil fuel-free fund** to support green growth, allowing pension savers to choose to invest in UK companies pursuing a positive environmental impact

Build an inclusive society and organisation

We will help build an inclusive society through our financial services offering and by creating an organisation that reflects the society we serve



We believe that the economic and social recovery should be one that's truly inclusive and involves communities across the UK's nations and regions.

In 2021, we will:

- ➔ Set new aspirations for a **leadership team that reflects the society we serve**, of 50 per cent women, 3 per cent Black and 13 per cent Black, Asian and Minority Ethnic colleagues in senior roles by 2025
- ➔ Maintain our **£25.5 million** contribution to our independent charitable foundations, with the Lloyds Bank Foundation for England and Wales focusing **25 per cent** of its support on Black, Asian and Minority Ethnic led charities
- ➔ Support regional regeneration, including launching the **Regional Housing Growth Initiative**, helping small- and medium-sized housebuilders create more homes in the North of England, the Midlands and the regions of Scotland
- ➔ Support **financial inclusion** by providing banking for groups of people experiencing homelessness, financial abuse or victims of modern slavery, and supporting the prisoner banking programme



We engage with a range of stakeholders, industry-led bodies and collaborative memberships on topics, progress in our sector and impacts of our business in support of the achievement of the SDGs. We are members of the UK Finance Sustainability Committee, TCFD and Sustainable Finance working groups, and UNEP FI Principles for Responsible Banking.

Our environmental and social performance

Progress in 2020

Helping Britain transition to a sustainable low-carbon economy

E S G

Highlights

- We continue to make progress in implementing our financed emissions reduction ambition on the path to net zero by 2050 or sooner, working with customers, government and the market to help reduce the emissions we finance
- We calculated our initial estimated view of 2018 financed emissions baseline and developed our first emissions intensity reduction ambition for the power sector
- We continue to make progress in the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- We have developed three new operational climate pledges which will accelerate our plan to tackle climate change and apply across our operations
- We have launched several new green finance products, tools and services in the year

This section contains certain disclosures in alignment with the recommendations of the TCFD. TCFD-related disclosures can also be found in the Lloyds Banking Group 2020 Annual Report and Accounts.

The UK Government has announced a commitment to the vision of a sustainable low-carbon future. Our unique position within the UK economy means that the successful transition to a more sustainable, low-carbon economy is of strategic importance to us. We support the aims of the 2015 Paris Agreement, the UK Government's net zero target and Ten Point Plan for a Green Industrial Revolution, and the recommendations of the TCFD.

The economic recovery required post COVID-19 provides a critical opportunity to drive clean growth and ensure that the UK's decarbonisation requirements sit at the heart of the UK's policy framework. While the focus over the last year has understandably been dominated by the coronavirus pandemic, Lloyds Banking Group is a keen believer of the benefits of building back greener. These benefits arise from the unique ability of the green economy to deliver the UK's broader economic objectives, namely: job creation; creation of attractive investment opportunities to increase UK productivity; and supporting regional development and the ability to deliver the UK's climate goals.

Our strategy

Our goal and approach

As a signal of our commitment we set an ambitious goal in 2020, working with customers, government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, on the path to net zero by 2050 or sooner, supporting both the UK Government's ambition and the 2015 Paris Agreement. During the course of 2020, we have calculated an initial estimate of our 2018 financed emissions baseline, using

the emerging industry standard methodology from the Partnership for Carbon Accounting Financials (PCAF). We have also developed a specific emission intensity reduction ambition for the power sector, the decarbonisation of which is critical to the UK achieving its climate targets. We will continue to develop additional sector-specific ambitions throughout 2021.

More detail is provided in the metrics and targets section (see page 32).

Scottish Widows announced net zero targets for its investments in February 2021. We have published a target of reaching net zero across our investment book by 2050, with an intermediate target of halving our investments' carbon footprint by 2030. We intend to reach the target through proactive investment in climate solutions, selective divestments and using our influence through stewardship to drive the transition to a low-carbon future, following the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework.

In order to meet our overall 2030 and 2050 goals, we will continue to:

- Identify new ways to support our customers and clients with the management of opportunities and risks associated with climate change, and the transition to a low-carbon economy.
- Identify, manage and disclose material sustainability and climate-related risks across the Group and their impacts on the Group and its financial planning processes, in line with the TCFD framework. This includes working with industry bodies, specialist consultancies and leading academics to develop a robust climate risk measurement capability.

Supporting a green recovery

In 2020, we joined more than 200 businesses, investors and business organisations in calling on the Government to deliver a clean, inclusive and resilient recovery plan. The letter recommended this plan drive investment in low-carbon innovation, focused support on sectors and activities that can best support sustainable growth, and that the Government include decarbonisation requirements within financial support packages to ensure that businesses align their strategies with national and international climate goals. Lloyds Banking Group also produced Financing a Green Future, outlining why we believe prioritising a green recovery is so critical and the priority areas we thought should feature within any economic stimulus plan.



- Use our scale and reach to help drive progress towards a sustainable and resilient UK economy through engagement with customers, communities, industry, government, shareholders and suppliers.
- Embed sustainability into the way we do business and manage our own operations in a more sustainable way. To support this we have updated our operational climate pledges, setting a new net zero goal for 2030 (see page 34).

SASB indicator:

FN-CB-410a.2	FN-MF-450a.3
FN-IN-410b.2	FN-IN-410a.2
FN-CB-410a.1	FN-AC-401a.2

Additional links

- Lloyds Banking Group – Financing a Green Future



► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

OUR AMBITION

We set ourselves seven leadership ambitions to support the UK's transition to a sustainable future:

- Business**
Be a leading UK commercial bank for sustainable growth, supporting our clients to transition to sustainable business models and operations, and to pursue new clean growth opportunities
- Homes**
Be a leading UK provider of customer support for energy-efficient, sustainable homes
- Vehicles**
Be a leading UK provider of low-emission/green vehicle fleets
- Pensions and investments**
Be a leading UK pension provider that offers our customers and colleagues sustainable investment choices, and challenge the companies we invest in to behave more sustainably and responsibly
- Insurance**
Be a leading UK insurer in improving the resilience of customers' lives against extreme weather exacerbated by climate change
- Green bonds**
Be a leading UK bank in the green/sustainable bonds market
- Our own footprint**
Be a leading UK bank in reducing our own carbon footprint and challenging our suppliers to ensure our own consumption of resources, goods and services is sustainable

How we are delivering against our ambitions

In 2020, we have focused on enhancing our green finance products and services to achieve our ambitions. Examples of this include the following:

Business

Since 2018, the Group has supported renewable energy projects that could power the equivalent of 10.1 million homes, significantly exceeding our Helping Britain Prosper Plan 2020 target.

A signature transaction in 2020 was the £5.5 billion debt financing of Dogger Bank A and Dogger Bank B offshore wind farms. Alongside Dogger Bank C, which will be financed in 2021, these projects constitute the 3.6GW Dogger Bank Wind Farm project – the largest offshore wind development in the world.

In 2020, we also launched several new green finance products, tools and services.

➔ The Lloyds Bank and Bank of Scotland Green Buildings Tool was developed in partnership with CFP Green Buildings. The tool complements our Green Lending Initiative in the real estate and housing sectors, and Clean Growth Finance Initiatives across all Commercial Banking sectors

➔ A Sustainability Fixed Term Deposit and 95 Day Notice Account were also launched where deposited funds are used to support the same areas defined in our Sustainability Bond Framework

➔ In addition, we also structured and coordinated the first Sterling Overnight Index Average (SONIA) Sustainability Linked Loan for Affinity Water

These products build on our £3 billion balance sheet commitments for Commercial Real Estate Green Lending and our Clean Growth Finance Initiative.



Supporting social housing to transition across ESG

We are supporting the ESG transition of social housing with our first Sustainability Linked Loan in the sector with a suite of ambitious environmental and social key performance indicators.

Cartrefi Conwy, a registered social landlord, owns and manages c.4,000 affordable homes across North Wales.

We have provided our first Sustainability Linked Loan (Revolving Credit Facility) to support their corporate plan, which will enable:

- ➔ Continued investment into its existing homes to maintain and exceed the Welsh Housing Quality Standard
- ➔ Improved energy efficiency of its existing homes for its tenants and to tackle fuel poverty (their energy-efficiency ambitions exceed the current regulatory minimum standards)
- ➔ The delivery of 1,000 new affordable, energy-efficient homes by 2030 (which includes low-energy, carbon-zero homes using timber frame and offsite technology from their dedicated modular housing factory)
- ➔ Continued social contribution by tackling homelessness and helping local people, including tenants, to find employment, training and volunteering

This support builds on the commitment Lloyds Commercial Banking and Scottish Widows has made as an early adopter of the external Sustainability Reporting Standard for Social Housing

www.esgsocialhousing.co.uk

Additional links

- ➔ Lloyds Banking Group Green Bonds Framework

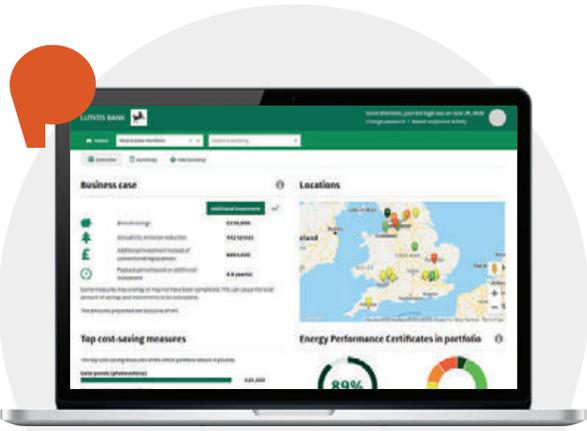


► Our environmental and social performance: Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

► Our ambition

Business continued **Homes**



Partnering with CFP Green Buildings

Built in association with sustainability consultancy CFP Green Buildings, the Green Buildings Tool is a free-to-use tool for Commercial Banking clients that calculates potential investments and savings by combining benchmark data from CFP's proprietary system with best practice related to buildings in the areas of technology, operations, maintenance and management.

An easy-to-navigate dashboard generates a tailored recommendation of over 50 measures that could be taken to improve the green credentials of a property, lower the running costs or reduce the carbon footprint. The recommendations are estimated based on the information provided about the building in question, while drawing on the information from CFP's proprietary system.

These measures can be filtered by:

- ➔ potential impact on the Energy Performance Certificate (EPC) rating
- ➔ investment required
- ➔ estimated payback period
- ➔ potential financial and CO₂ savings

The tool is designed to be updated when measures are implemented or are not applicable, so that an updated estimate of the property portfolio is always available to review. The tool is intuitive and interactive, providing live updates to estimates as measures are selected.

Homes

Improving the energy efficiency of homes is one of our key priorities. The UK is home to some of the oldest housing stock in Europe which is typically made up of less energy-efficient properties. To help customers understand what energy-efficiency improvements they can make to their home, we launched our Green Living and Eco Home Hub for Halifax and Lloyds customers, including an online tool. First in market among lenders, it provides mortgage customers with a tailored action plan on home improvements that could make their home more sustainable.

To support Halifax customers with the cost of green home improvements, we have also introduced a Green Living Reward under the UK Department for Business, Energy and Industrial Strategy (BEIS) Green Home Finance Innovation Fund.

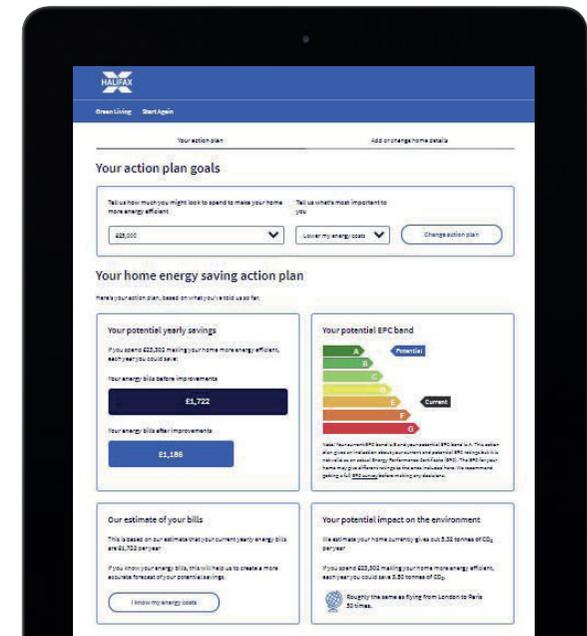


Partnering with the Energy Saving Trust

The UK Government has committed to reaching Net Zero by 2050. With our homes making up 22 per cent of the UK's total carbon emissions, we all have a part to play in reaching these targets.

That's why Halifax and Lloyds have collaborated with the Energy Saving Trust to develop a home energy-saving tool. It helps individuals find out just how green their home is and shows them how a few changes could make their home more energy efficient.

It is very quick and easy to use – just answer a few questions about your home and it produces a personalised action plan with estimates of your EPC rating, energy costs and your home's CO₂ emissions.



► Our environmental and social performance: Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

► Our ambition

Vehicles

In 2020, we more than doubled the number of electric vehicles financed through our Motor Finance and Leasing subsidiaries, Lex Autolease and Black Horse. Within Lex Autolease, electric vehicles made up more than 10 per cent of all new orders, which is double the overall percentage of new vehicles sold in the UK in 2020 that were electric.

The Sustainability Curve Toolkit

Every business with a vehicle fleet is already somewhere on The Sustainability Curve – the path from conventionally fuelled vehicles to net-zero carbon emissions. And although green fleet transformation won't happen overnight, evaluating a fleet's fuel mix and reviewing the fleet policy can begin right away.

For every business there will be different needs and challenges ahead. But Lex Autolease is there to guide them all the way to zero. We have developed many tools to help customers make that transition, one of which is the Fuel Decision Tree, which is part of The Sustainability Curve toolkit.

The Fuel Decision Tree helps customers to understand if their driving is suited to an electric or plug-in hybrid vehicle, helping to reduce the barriers to, and uncertainties around, transitioning to low-carbon vehicles.



► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► **Our ambition**

Pensions and investments



We have focused on building robust foundations for future responsible investment activity, launching our Responsible Investment Framework in March 2020 and supporting stewardship and exclusions policies later in the year. Our Exclusions Policy focuses on companies that have failed to meet our ESG standards, namely manufacturers of controversial weapons, UN Global Compact violators and those deriving more than 10 per cent of their revenue from thermal coal and tar sands extraction. We are currently divesting an initial £440 million from these companies, starting with those investments where we have direct control, and are working to expand the application of this policy into external pooled funds that underpin our multi-asset funds as well. Early success of our engagement with one of our partner asset managers has led the investment manager to introduce an exclusions policy for all their Europe-domiciled passive funds totalling over £20 billion, leading to an additional divestment of approximately £280 million within our customer pension portfolios.

Our shareholder investment activity includes providing direct loans to finance renewable energy and infrastructure projects such as investment in the world's largest offshore wind farm and solar

energy transactions, as well as supporting the installation of smart meters across the UK, helping households to save money and cut carbon emissions.

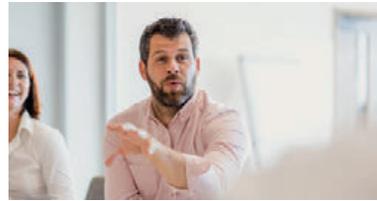
We have worked with BlackRock to develop the BlackRock ACS Climate Transition World Equity Fund. We are investing £2 billion into the fund to make up 10 per cent of the equities portion of our default pension investment approach. The fund is aligned to the goals of the Paris Agreement and focused on investing more in the companies already at the forefront of decarbonisation and responsible use of natural resources, and demonstrates our commitment to supporting the decarbonisation of the economy as a whole.

Insurance



We are currently focusing on supporting our General Insurance customers when they need us most. We continue to partner with RedArc in operating a trauma helpline that aids customers needing extra help after a traumatic claim such as a fire or flood. We are also investing in ways to minimise the impact of flooding on our customers and to deal with weather claims as quickly and efficiently as possible. For example, we continue to provide a Rapid Response Vehicle that deploys to the worst-affected areas, so that customer claims can be assessed quickly, and funds released to complete vital repairs.

Green bonds

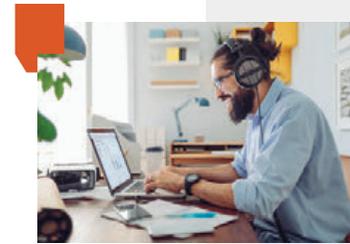


Since the launch of this ambition in 2018, we have maintained our role as leader for our UK corporate clients between 2016 and 2020, raising around £2.9 billion.

Our own footprint



We continue to improve the sustainability of our own operations and have recently updated our operational climate pledges (see page 34). This year, we have calculated and disclosed the emissions associated with increased homeworking as a result of the pandemic, and supported the development of a white paper to help others account for similar activity in their organisations. We have continued to reduce the energy and carbon intensity of our properties and have supported low-carbon travel by installing electric vehicle charging infrastructure and improved cycling facilities in a further 14 offices in 2020.



Calculating working from home emissions

The impacts of the pandemic have resulted in significant changes to the way our colleagues have worked during 2020. With around two-thirds of our colleagues working from home during the pandemic, our travel-related carbon emissions and some of our building-related emissions have reduced in 2020.

We recognise the need to balance this reduction against the additional household emissions caused by colleagues working from home. We have calculated 4,008 tonnes CO₂e (3 per cent of our overall market-based carbon footprint) as working from home emissions, and are now including these emissions in our environmental reporting.

In October 2020, to support other organisations to navigate the challenge of measuring homeworking emissions, we supported the development of a white paper. The document, written in partnership with EcoAct and NatWest Group, defines a simple process for organisations to use to calculate emissions of colleagues working from home, and has been downloaded more than 1,000 times.

To support our colleagues in making more sustainable choices at home, we launched a new collection of Sustainable Living colleague offers in 2020. These deals included special offers on renewable electricity tariffs and smart heating thermostats, to help colleagues reduce their household carbon emissions.

Additional links



- [White paper on calculating homeworking carbon emissions](#)
- [The Scottish Widows Responsible Investment Framework, Exclusion Policy and Stewardship Policy](#)

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► **Our ambition**

Climate-related initiatives and collaboration

Climate change is a global challenge that requires collaboration across companies and industries to ensure the risks and opportunities can be adequately identified and managed.

To support this, we participate in several industry initiatives and have signed up to key principles that drive action on climate change and sustainability, including:

Business In The Community (BITC) Environment Leadership Team

We are members of the BITC Environment Leadership Team which helps business drive innovation that turns the threats of the climate emergency into opportunities.

Climate Financial Risk Forum (CFRF)

In 2020, the Prudential Regulatory Authority and Financial Conduct Authority's joint CFRF published the CFRF Guide to help the financial industry approach and address climate-related financial risks. We participated in the risk management working group which produced a UK best practice chapter on this topic in the handbook on implementation of the TCFD recommendations.

The Climate Group

In 2019, we were one of the first businesses globally to sign up to all three of The Climate Group's campaigns, and we continue to drive activity in those areas:

- ➔ RE100 – a commitment to source 100 per cent of our electricity from renewable sources by 2030, which we achieved in 2019 and was fully validated by The Climate Group in 2020
- ➔ EP100 – a commitment to improve our energy productivity by 2030
- ➔ EV100 – a commitment to accelerate the transition to electric vehicles by 2030

Coalition for Climate Resilient Investment

We joined the Coalition for Climate Resilient Investment in 2019 and continue to contribute to the work that aims to transform infrastructure investment by integrating climate risks into decision-making.

Green Finance Institute (GFI) Coalition for the Energy Efficiency of Buildings (CEEB)

We joined the GFI's CEEB in 2020 and are actively contributing to several activities aimed at developing solutions to help further improve the efficiency and decarbonisation of the UK's buildings, including having become a supporter of the GFI's Green Home Retrofit Principles.

HRH The Prince of Wales' Sustainable Markets Initiative: Financial Services Taskforce

In 2020, we joined the Financial Services Taskforce of HRH The Prince of Wales' Sustainable Markets Initiative. This taskforce is planning to focus on areas such as establishing a net-zero framework for banks, sustainable infrastructure as an asset class and credibility for voluntary carbon markets.

Institutional Investors Group on Climate Change (IIGCC)

The IIGCC is the European membership body for investor collaboration on climate change, representing institutional investors with over €33 trillion in assets. Scottish Widows joined the IIGCC in 2019 to focus on the development of the Net Zero Investment Framework to establish a common methodology for investors for transitioning their portfolios to net zero by 2050. In August 2020, this framework was published for market consultation.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. We joined PCAF in 2020 to learn and contribute as we develop and enhance our financed emissions baseline measurements.

Task Force on Nature-related Financial Disclosures (TNFD)

In 2020, we joined the TNFD working group, which is seeking to create resilience in the global economy by redirecting flows of finance at scale towards nature-positive activities to allow nature and people to flourish.

United Nations Environment Programme Finance Initiative (UNEP FI)

We became a member of UNEP FI in 2019 and joined its Phase 2 Banking TCFD pilot and initial Insurance TCFD pilot which conducted work throughout 2020.

University of Cambridge Banking Environment Initiative (BEI)

We worked with the University of Cambridge and 12 leading banks to develop a roadmap for how the industry can direct capital towards environmentally and socially sustainable economic development. The results of the work were published in 2020 in the *Bank 2030* report.

World Economic Forum (WEF) initiative on Financing the Transition to a Net Zero Future

In 2020, we joined this new initiative that aims to accelerate progress in developing new transition financing solutions, focused on 'hard-to-abate' sectors such as steel, chemicals, aviation, trucking and shipping. We are one of 30 financial institutions participating in the initiative, which directly engages with industry through the Mission Possible Partnership, also hosted by the WEF.

► Our environmental and social performance: Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

► Governance

Governance

Given the strategic importance of our sustainability ambitions and commitment in managing the impacts arising from climate change, our governance structure provides clear oversight and ownership of the Group’s sustainability strategy and management of climate-related risk.

Governance for climate-related risk is embedded into the Group’s existing governance structure and is complementary to governance of the Group’s sustainability strategy.

The governance structure will continue to evolve as the Group further develops and embeds its approach to managing climate-related risks.

The Chairman of the Responsible Business Committee (RBC) Sara Weller is a Non-Executive Director on the Board, a member of the Board Risk Committee, the Remuneration Committee and the Nomination and Governance Committee, and ensures sustainability is discussed and considered by the Board.

The Board is engaged on a regular basis on our sustainability agenda, receiving regular briefings to build understanding and capability and also attending relevant external briefings. In the Group’s 2020 Annual Report and Accounts, detail is provided on how the Board is engaged on climate change. A metric on our own emissions is included in the 2021 Group scorecard, which will in turn inform

Governance

Our governance structure provides clear oversight and ownership of the Group’s sustainability strategy and management of climate-related risks. Governance for climate-related risks is embedded into the Group’s existing governance structure and is complementary to governance of the Group’s sustainability strategy.



remuneration outcomes – see page 118 in the Group’s Annual Report and Accounts for further detail.

The Board was one of the first groups at Lloyds Banking Group to receive training via our partnership with the Cambridge Institute for Sustainability Leadership, which provides high-quality training to executives and colleagues in risk management, product development and client-facing roles. In 2020, over 700 such colleagues were trained (over 1,900 colleagues to date), ensuring they are able to support clients’ transition to a sustainable low-carbon economy.

The RBC ensures Board oversight for the Group’s overall strategy on environmental sustainability, which includes:

- Identifying new opportunities to support our customers and clients and finance the UK transition to a low carbon economy
- Identifying, managing and disclosing sustainability and climate-related risks across the Group and their impacts on the Group and its financial planning processes
- Using our scale and reach to help drive progress towards a sustainable and resilient UK economy through engagement with customers, communities, industry, government, shareholders and suppliers
- Embedding sustainability into the way we do business and manage our own operations

Updates on these areas are provided to the committee by the Group Executive Committee (GEC) on a quarterly basis. A Group Executive Sustainability Committee, a sub-committee of the GEC, meets quarterly and acts as the executive oversight body for all sustainability activity, providing quarterly updates to the full GEC.

Our Group Sustainability team is supported by divisional sustainability governance forums led by Divisional Managing Directors, ensuring a coordinated approach to oversight, delivery and reporting of the Group’s sustainability strategy.

The relevant Chief Risk Officers across the Group have Senior Management Function responsibility for overseeing the management of risks from climate change, covering Lloyds Bank and Bank of Scotland, Lloyds Bank Corporate Markets (LBCM), and the Solvency II regulated entities in Insurance.

Climate risk is monitored in the Group’s risk reporting and more detailed updates are provided regularly to the Group and Ring-Fenced Banks (RFB) Board Risk Committees regarding the Group’s climate risk management activities and key developments.

Led by the Risk Division, the Climate Risk Executive Management forum is tasked with making key decisions related to the Group’s climate risk management and TCFD implementation. The forum comprises senior risk colleagues across the Group, including the RFB, LBCM and Insurance sub-groups, and meets on a monthly basis, with updates provided to the Group Risk Committee, Board Risk Committees and Board.

A Group-level Climate Risk Planning and Prioritisation forum supports the Climate Risk Executive Management by coordinating the implementation of TCFD and embedding of climate risk management across the Group in line with regulatory expectations, escalating issues as required. This forum is attended by stakeholders across the Risk Division, as well as from Business and Group functions.

Additionally, our divisions have governance structures in place to manage climate-related risks. For instance, climate-related risk is discussed on a regular basis at the Risk Oversight Committee, a sub-committee of the Insurance Board, and in LBCM climate-related risks feature regularly at its Board Risk Committee.

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► Risk Management

Risk management

Integration into overall risk management framework

The Group has adopted a comprehensive approach to embedding climate-related risks into our Enterprise Risk Management Framework through:

- ➔ Creation of a new principal risk for climate risk, in order to drive dedicated focus and a consistent approach, while enhancing Board-level insight
- ➔ Integration of climate risk into our existing principal risks, to ensure comprehensive consideration across all aspects of our business activity

As its own principal risk, climate risk captures the risk that the Group experiences losses and/or reputational damage as a result of climate change, either directly or through its customers. Climate risk is included as both a principal and emerging risk this year given it is such a new and fast-moving area.

As we continue to further embed climate risk into the Group's Enterprise Risk Management Framework, we will ensure that climate-related risks are considered as part of existing processes, aligned to the three lines of defence model. These climate-related risks will be appropriately aggregated together to provide senior management with a consolidated view of the climate risk to which the Group and its sub-groups is exposed across the short (0–1 years), medium (1–5 years) and long term (over 5 years). These timescales align to the *TCFD report playbook* developed by UNEP FI and the Institute of International Finance.

Climate risk is a fast-developing area and the Group's processes will continue to evolve as we embed our approach to managing climate-related risks and opportunities. Dedicated roles and training programmes have been created to strengthen our capacity and capabilities for managing climate risk Group-wide.

CLIMATE-RELATED IMPACTS ACROSS THE GROUP'S RISK TAXONOMY

We have mapped climate change impacts across the different risk types within the Group's risk taxonomy. While the majority of the Group's principal risks are impacted in different ways, we have focused on the impact for the most material risk types, outlined below.

Risk type	Summary of impacts from climate risk
Credit risk	Climate change is likely to result in changes in the risk profile and outlook for our customers, the sectors we operate in and collateral/asset valuations. Changes are likely to be needed to our business and product strategies, as well as our risk appetite response.
Insurance underwriting risk	Changing climate patterns, for example increasing frequency and severity of weather events, are expected to lead to a changing risk profile for our insurance activities. This could lead to an unexpected level of claims or pattern of contract renewals.
Market risk	The financial instruments held across the Group are subject to market risk as the underlying companies may be subject to value erosion due to climate change, for example, from extreme weather events or transition risk impacts.
Conduct risk	Conduct risk may potentially arise from a number of channels, including: <ul style="list-style-type: none"> ➔ Withdrawing credit lines or services from 'brown' sectors or counterparties ➔ Removal of certain product lines, as they become unsustainable as a result of climate change ➔ Potential 'green washing', as the Group develops new propositions
Operational resilience and operational risk	An acute weather event that affects the Group's operations directly or indirectly could cause disruption to customer service if continuity plans are not adequately developed and tested to ensure they provide a framework for response. The Group's operations are also subject to the low-carbon transition, both through emissions from our property footprint, as well as the Group's supply chain.
Regulatory and legal risk	The Group is subject to an increasing number of regulations where compliance is required, for example, PRA Supervisory Statement 3/19. The Group may be the target of climate-related litigation in respect of its activities and there may be increased scrutiny on how the Group deals with climate-related risks. Any implications of litigation or enforcement could be severe, including potential reputational damage.
Strategic risk	Strategic risk is inherent in the transition required as the Group looks to remain competitive, safeguard its reputation and adapt to the changing expectations of customers and shareholders.

► **Our environmental and social performance: Progress in 2020**

► **Helping Britain transition to a sustainable low-carbon economy**

► Risk Management

Risk identification and assessment

We have engaged with third-party consultants to support the development of our climate risk management framework, extending our modelling and assessment capabilities for quantifying climate risk. We are enhancing our credit risk operating model. Our credit ambition involves ensuring full compliance with regulation and other stakeholder expectations, alongside supporting the commercial teams in developing their customer strategies to capture climate opportunities and manage the risks. Our current credit strategy work revolves around four themes:

➔ Risk quantification – quantifying physical and transition risk at individual business level initially for priority sectors and counterparties

➔ Business and credit strategy – evolving and developing our risk appetite aligned to the Group’s low risk through the cycle appetite approach. We aim to safely capture climate opportunities in our chosen sectors and products

➔ Origination – integrating a holistic view of inherent and residual climate risk in our origination and pricing processes. We will continue to develop climate-related eligibility criteria, as well as limits and policies for sectors at increased risk from the impacts of climate change. Enhanced climate risk due diligence and risk appetite ambitions will be developed as our understanding of consequences on portfolios evolves

➔ Monitoring – undertaking monitoring across our portfolio especially on the sectors and counterparties with higher climate risk. This will continue to evolve and expand over time

Climate risk and sustainability have been a key consideration in the credit assessment process in recent years, and in 2020 we have deepened the integration of climate considerations into our credit processes. As part of the Group’s credit risk policy, we have mandatory requirements to consider environmental risks in key risk management activities. In Commercial Banking, Relationship Managers must continue to ensure that sustainability risk is considered for all new and renewal facilities, and specifically commented on where credit limits exceed £500,000. This provides clarity of:

- ➔ Our clients’ understanding of and approach to addressing physical and transitional climate risks within their business and supply chain
- ➔ The existence of actual or potential ‘stranded assets’ due to ESG factors
- ➔ The actions being taken to reduce greenhouse gas emissions
- ➔ The framework that our clients have in place to ensure compliance with all relevant legal and regulatory ESG requirements relevant to their business

During 2020, we have also simplified our risk-based environmental risk policy. All cases that are identified as higher risk by our Environmental Risk Screening Tool are subject to further review. Where specific or material environmental risks or concerns are identified, cases are referred to retained environmental risk consultants for an opinion on the adequacy of the mitigants in place or recommendations on managing the environmental risk. The key findings from such due diligence must be factored into credit applications which inform lending decisions.

Identification of counterparty-level climate risk is essential, and we have developed and are piloting a tool in Commercial Banking to help assess the physical and transition risks relating to our clients. The tool is initially qualitative; as data evolves, we plan to augment this with quantitative information to enhance the overall assessment. We are also developing our approach to measuring our exposure to specific physical and transition risks.

We are leveraging the lessons learned and understanding in Commercial Banking to help enhance the climate risk practices across the Group. As with Commercial Banking cases, we consider exposure to physical risks (such as flooding) in our mortgages origination criteria. To help determine the adequacy of mitigation/abatement measures, higher-risk cases are subject to a thorough site inspection by technical experts. As part of our wider horizon scanning, we continue to monitor changes to legislation on energy-efficiency standards and in 2020 we have launched tools to support our Retail and Commercial customers.

We have introduced sustainability-related criteria into our Retail motor finance businesses who in principle will generally not lend against vehicles for personal use which are 14 or more years old. We are actively reviewing and developing our strategy for financing electric vehicles and the required infrastructure.

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► Risk management

DEVELOPING OUR UNDERSTANDING OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

In line with the Group's strategy, and to help integrate climate risk into our risk management framework, we are working to enhance our understanding of the effect climate change will have on our business and clients. The aim is to:

- Continue to develop a robust climate risk management framework
- Create reliable data sources
- Build capacity
- Support clients' efforts to manage their climate risks and opportunities, by providing guidance on the potential impact of climate change on their financial and business profiles

Understanding the consequences of climate change on our portfolios is essential, and will help to inform our ambitions over the short and medium term.

Actions that we have taken to progress our understanding include the following:

- To support our efforts, we engaged two market-leading consultants, renowned respectively for their knowledge of climate change risks and data capabilities to provide an outside perspective and expertise
- We have prioritised four sectors to consider the climate risks and opportunities faced by the Group and our customers, covering: energy, automotive, mortgages and agriculture
- We have dedicated time to run dynamic and interactive workshops, to engage with a range of stakeholders from across the Group to: work collaboratively; reveal insight; help understand the extent of the problem; share research; brainstorm; prioritise areas of focus; and to assist with the development of the appropriate business strategy and risk appetite response to support our clients
- We are developing a process for gathering reliable data to facilitate analysis of the impacts of climate change across industry sectors



Other initiatives to further embed climate risk factors into the risk management activities of the Retail Division include work on the development of a risk mitigation strategy for retail banking activities such as vehicle finance and home loans. The work involves research and analysis to identify and assess the risks, and stress testing to quantify the risk. We are using the insight and knowledge gained from risk identification, assessment and loss modelling to develop and shape risk appetite, and are working on process changes to fully embed climate risk assessment into business origination across our retail banking operations.

In our Insurance business, an assessment of climate-related risks to General Insurance (GI) liabilities is integrated into the internal model governance process. Climate change is identified as a key topic for model review and approval within this process, and specifically, the appropriateness of the view of risk for the weather perils in the context of climate change science. Currently, an adjustment for sea-level rise is applied. This view of risk is integrated into assessments of GI capital requirements, reserving, reinsurance and pricing. It also feeds into the GI quarterly exposure management where GI portfolio exposure arising from weather-related perils is monitored and controlled.

We further expanded our weather modelling capabilities in 2020, with the completion of a knowledge transfer project with the University of Reading to better understand extreme wind and flood risk in the UK.

Management of climate-related risks

We continue to work on existing processes to ensure our approach for climate risk management has suitable Board-level visibility. The Board has approved a Risk Appetite Statement for climate risk, as well as an interim metric to ensure the Group continues to progress activities at pace. We aim to develop further quantitative and qualitative risk appetite metrics as our capabilities evolve, including appropriate consideration across our sub-groups. This is supported by Board-level risk reporting of climate risk.

We have considered and included commentary on climate-related risks as part of our annual Individual Capital Adequacy Assessment Process. We have used expert judgement to assess the financial impacts for key risk types that are sensitive to climate change under a number of different climate scenarios. We will continue to enhance our approach as our scenario analysis capabilities develop.

We continue to refine and enhance the Group's 12 external sector statements, which help articulate appropriate areas of environment and climate-related risk appetite and approach to the risk assessment of our customers. In defining our sector appetite and strategic ambitions, we are reflecting on areas such as the composition of our portfolio, the business positioning and transition plans of counterparties within the sector, and the likely government and regulatory policy responses. Helping our clients' transition is a key element of the Group's Sustainability strategy. For more information on the Group's external sector statements see page 36.

► **Our environmental and social performance:** Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

► Risk management

Sectors with increased climate risk

The Group has identified those sectors where we have lending to customers that may likely contribute a higher share of Lloyds Banking Group's financed emissions (see Table 1). Not all customers in these sectors have high emissions or are exposed to significant transition risks. As discussed within our disclosure, we continue to enhance and refine this work at both counterparty and sector level, considering both risks and opportunities as we look to support our customers' responses to climate change.

TABLE 1: LENDING¹ TO CUSTOMERS IN SECTORS AT INCREASED RISK FROM THE IMPACTS OF CLIMATE CHANGE

		Lending to Commercial Banking customers (£m) ²		Percentage of total Group loans and advances to customers ³	
		Dec 2020	Dec 2019	Dec 2020	Dec 2019
Commercial Banking sector⁴					
Energy use in buildings	Real estate (inc housing associations)	25,426	27,124	5.04%	5.44%
Agriculture	Agriculture, forestry & fishing ⁵	7,464	7,219	1.48%	1.45%
Transport	Passenger transport	1,135	1,120	0.22%	0.22%
	Industrial transport	1,374	1,674	0.27%	0.34%
	Automotives ⁶	1,485	1,272	0.29%	0.26%
Energy use in industry	Housebuilders	870	1,168	0.17%	0.23%
	Construction ⁷	1,210	1,179	0.24%	0.24%
	Cement, construction materials, chemicals & steel manufacture	317	391	0.06%	0.08%
	General manufacturing	1,301	1,285	0.26%	0.26%
	Food manufacturing and wholesalers	1,312	1,844	0.26%	0.37%
Energy supply	Oil & gas ⁸	1,099	1,393	0.22%	0.28%
	Utilities	1,638	1,779	0.32%	0.36%
	Coal mining	8	21	0.002%	0.004%
	Total	44,639	47,469	8.85%	9.53%
Retail division areas⁹					
		Loans and advances to customers (£m)		Percentage of total Group loans and advances to customers ³	
		Dec 2020	Dec 2019	Dec 2020	Dec 2019
	UK mortgages	294,806	289,198	58.42%	58.04%
	UK motor finance	15,201	15,976	3.01%	3.21%
	Total	310,007	305,174	61.44%	61.25%

- 1 Commercial Banking and Retail divisions only. Excludes Insurance & Wealth division.
- 2 Commercial Banking division only, excludes Commercial Finance. Drawn lending is gross of significant risk transfers. Excludes Business Banking lending, which sits within Retail division. 2019 restated on a consistent basis with 2020.
- 3 Percentages calculated using total Group loans and advances to customers on a statutory basis, before allowance for impairment losses (£504,603 million at 31 December 2020 and £498,247 million at 31 December 2019).
- 4 Commercial lending classified using Office for National Statistics Standard Industrial Classification (SIC) codes at legal entity level.
- 5 Agriculture lending includes Agricultural Mortgage Corporation (AMC) based on loans and advances to customers £4,186 million (2019: £3,998 million).
- 6 Includes automotive manufacture, retail and wholesale trade, rentals and parts but excludes finance captives and securitisations.
- 7 Construction excludes 41100 Development of building projects (included within Real estate) and 41202 Construction of domestic buildings (reported separately as Housebuilders).
- 8 Excludes commodity traders.
- 9 Based on loans and advances to customers within Retail division.

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► Risk management

Climate scenario analysis

As the understanding and importance of climate risk progresses, climate scenario analysis is becoming an essential risk management tool. Scenario analysis assists the identification, measurement and ongoing assessment of climate risks that pose threats over the longer term, and the potential threats to the Group's strategic objectives.

The complex, forward-looking and long-term nature of climate risks and the inherent uncertainty about future events make it difficult to assess them using standard risk modelling methodologies. Climate scenario analysis provides a flexible 'what-if' style methodological approach that is better suited to exploring the risks that could crystallise in possible future scenarios.

Climate scenario analysis also allows identification of extreme yet plausible risks that challenges the Group's business model and helps understand the possible range of climate consequences and management actions. Accordingly, such analysis is an iterative process in that the conclusions of an exercise can provide risk insights that in themselves may trigger additional investigation and strategy refinement.

To embed climate scenario analysis, the Group has developed a climate scenario analysis framework to guide the consistent use of this method.

CLIMATE SCENARIOS DEVELOPED

Three different climate scenarios have been developed, together with a third-party consultant, representing possible pathways to different climate change outcomes. These were not intended to represent a best forecast of how the transition will occur but enable the Group to explore credible pathways to 2° and 4° worlds.

The scenarios developed were a 2° orderly transition to less than 2° warming by 2100; a 2° disorderly transition to less than 2° warming by 2100; and a 4° 'business as usual' scenario.

This suite of scenarios is functionally aligned to the climate scenarios described in the Bank of England's discussion paper, *The 2021 biennial exploratory scenario on the financial risks for climate change*. They are also broadly similar in outcome to the representative orderly, disorderly and hot house scenarios published in June 2020 by the Network for Greening the Financial System. Our climate scenarios will develop over time as climate scenario analysis embeds across all relevant activities.

2° orderly

This scenario describes a globally coordinated response to climate change that sees the world quickly decarbonise in an orderly and efficient manner, therefore limiting transition and physical risks.

This scenario features, among other aspects, a global carbon price, major expansion of renewables, electrification of heat, transport and industry, and development of carbon capture and storage capabilities at scale.

Although Paris compliant, increased physical risks relative to the present day remain in this scenario.

2° disorderly

In this scenario, the world does not respond to climate change before 2030 and then takes sharper corrective actions to limit global heating impacts, resulting in higher initial transition risks as much sharper intervention occurs around 2030 in order to get decarbonisation back on track for a less than 2°C heating outcome by 2100.

This scenario features a global carbon price, major expansion of renewables, electrification of heat, transport and industry and, again, development of carbon capture and storage techniques.

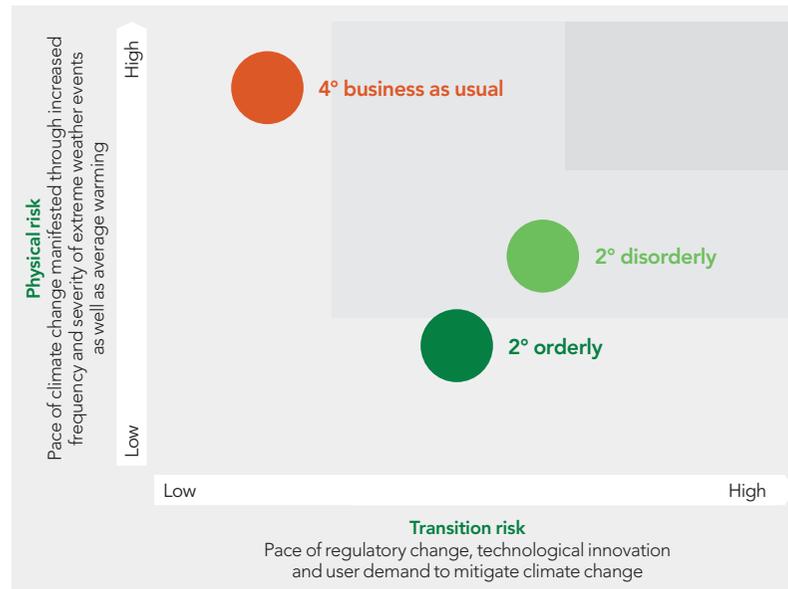
Although Paris compliant, as the scenario anticipates increased temperatures, physical risks increase relative to the present day.

4° business as usual

In this scenario, the world does not respond to climate-related change at all and technology deployment is driven purely by relative economics.

This scenario features no carbon pricing, continued thermal power generation (especially in developing markets), some renewable capacity expansion and some electrification of transport.

This scenario implies greater physical risks as heating rises by 4°C, largely manifesting after 2050.



► **Our environmental and social performance: Progress in 2020**

► **Helping Britain transition to a sustainable low-carbon economy**

► Risk management

Scenario development approach

The first stage in the development of the scenarios was to establish a consistent narrative. Then the scenario details were built up to describe a transition pathway developed at the required level of sectoral and geographical resolution.

Then key events were identified alongside critical levels or tipping points that provided material evidence that the real world developed in line with each specific scenario.

Milestones were defined so as to be observable in the real world and progress towards them being monitorable using pre-defined sources. Collectively they represented a plausible pathway for the scenario realisation.

The types of scenario variables generated through this process include macro-economic outcomes, human activities, energy system evolution, physical impacts and climate variables.

Scenario usage

The climate scenarios developed have been used to assist in preparation for the 2021 biennial exploratory scenario on the financial risks for climate change and, hence, final results have not yet been generated from them.

General Insurance Weather modelling team

In-house expertise on physical risk is retained in the form of a dedicated weather modelling team that sits within general insurance (GI). The team comprises specialists in hydrology, meteorology and probabilistic modelling who develop a baseline view of physical risk for the UK and conduct forward-looking climate stress testing onto this. This team has been in place since 2016 and has monitored and applied climate change science onto the view of risk used for capital, pricing, reinsurance and planning.

Since their inception, the team has monitored climate change science and applied this to the view of physical risk for the UK. Consequently, an adjustment is currently applied to coastal inundation losses on GI liabilities to account for sea-level rise at a rate of 2mm per year.

The team also conducts forward-looking climate stress testing onto GI liabilities. For the 2019 Prudential Regulatory Authority stress test, the team used tidal and river gauge observations, claims datasets, climate model outputs and probabilistic catastrophe models to calculate an estimate of increased risk to our insurance portfolios.

The analysis covered three different time horizons out to 2100, and emissions scenarios producing 2°C and 4°C temperature increases. The team estimated increases of between 5 per cent and 43 per cent in average annual claims costs arising from severe weather across the three scenarios.

The Weather modelling team will be further developing their climate scenario modelling capabilities through 2021 – as part of the Bank of England 2021 biennial exploratory scenario and broader TCFD implementation – leveraging the past investment made through this team in understanding physical risk in the UK.

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

► **Metrics and targets**

Metrics and targets

We have focused this year on expanding our climate-related metrics and ambitions. We have developed an initial estimated view of the 2018 financed emissions baseline across the Group (excluding the Insurance and Wealth division), created a specific ambition for reducing emissions intensity from the power sector and created new climate pledges for our own operations. We will continue to develop additional sector-based ambitions in 2021 to support our goal to help reduce the emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050, or sooner, and to help us better support customers in their transition plans to a low-carbon economy.

Financed emissions

An initial estimated view of the 2018 financed emissions baseline across the Group's own lending activity (excluding the Insurance and Wealth division) has been developed to serve as a basis for our goal of reducing the emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050, or sooner. We selected 2018 as the year for the baseline as there is comprehensive company emissions reporting and UK Government Office for National Statistics (ONS) emissions data available at the time.

We have used the emerging industry standard for calculating financed emissions developed by the Partnership for Carbon Accounting Financials (PCAF). The baseline is an estimate, as methodologies for calculating financed emissions mature and client- or asset-level emissions data is currently not available in all cases and, where appropriate, we have used internal and external data to fill these data gaps. Given this is a new discipline that will continue to develop and evolve, it is expected that our baseline will change in the future (perhaps materially), which will require restatement. We expect methodologies for calculating financed emissions to mature and data availability and quality to improve from clients and Government sources.

Our initial estimated view of the 2018 financed emissions baseline covers approximately 70 per cent of the Group's balance sheet (excluding Insurance and Wealth)¹ comprising:

- ➔ Motor vehicle loans (Lex and Black Horse) – at individual vehicle level, vehicle emission intensity and contracted (or estimated) miles driven per annum
- ➔ Mortgages (Retail UK Mortgages) – from EPCs where available with estimates used for properties without EPC ratings
- ➔ Business loans (Commercial Banking only) – on client-level emissions data and asset-based estimates using ONS UK sector emissions
- ➔ Cash balances – with no associated emissions

TABLE 2: INITIAL ESTIMATED VIEW OF THE 2018 FINANCED EMISSIONS BASELINE FOR THE GROUP'S OWN LENDING (EXCLUDING THE INSURANCE AND WEALTH DIVISION)

Asset class	Estimated MtCO ₂ e (Scope 1 & 2 emissions)	Equivalent share of UK total emissions by sector/asset class ⁶
Motor vehicle loans ³	3.2	c.4%
Mortgages ⁴	6.3	c.6%
Business loans ⁵	15.9	c.6%
Total	25.4^{1,2}	c.5.6%

Note:

- 1 Includes Nil emissions for cash balances, which accounted for 8% of Group's balance sheet.
- 2 Examples of areas where there is no current method for calculating emissions include: Government securities, derivatives, personal loans, credit cards and reverse repos. Areas where data was not readily available but coverage may be expanded in the future include: business banking, non-UK mortgages, loans and advances to banks and some assets at fair value through profit and loss.
- 3 Covers 95 per cent of motor vehicle loans and operating lease assets. Excludes assets that do not have a motor, specialist vehicles and vehicles where mileage is difficult to estimate. Currently does not apply a loan-to-value ratio for emissions.
- 4 Covers 97 per cent of mortgages. Excludes non-UK mortgages. Uses EPC emissions estimates for 45 per cent of properties and average emission intensity profiles of EPC C to G properties to calculate emissions for the balance of properties where EPCs are not available. Property index value as at end 2018 is used for current property value in PCAF emission attribution calculations.
- 5 Includes 99 per cent of Commercial Banking business loans, based on drawn lending. The PCAF sector-based approach has been used for the majority of the business loans baseline, using ONS UK emissions. The business loans method has been applied to project finance (excluding power project finance) and commercial real estate assets, which will be refined in the future as better data becomes available.
- 6 Total UK emissions in 2018 were: 88 MtCO₂e from cars and vans; c.100 MtCO₂e from homes, including emissions from both electricity and heating; and 263 MtCO₂e from business (excluding emissions from electricity used in residential property). Source: Department for Business, Energy and Industrial Strategy – 2018 UK Greenhouse Gas Emissions, Final Figures.

For the remaining balance sheet, 26 per cent currently have no method for calculating emissions and 4 per cent do not have data readily available to enable emissions to be calculated.²

The initial estimate at c.25.4 MtCO₂e, is equivalent to around 5.6 per cent of UK emissions (451 MtCO₂e*). The breakdown by asset type is provided in Table 2, along with our share of equivalent UK sector emissions.

As currently recommended by PCAF, the baseline only includes Scope 1 and 2 emissions of clients and does not include off balance sheet contingents, derivatives or Government bonds.

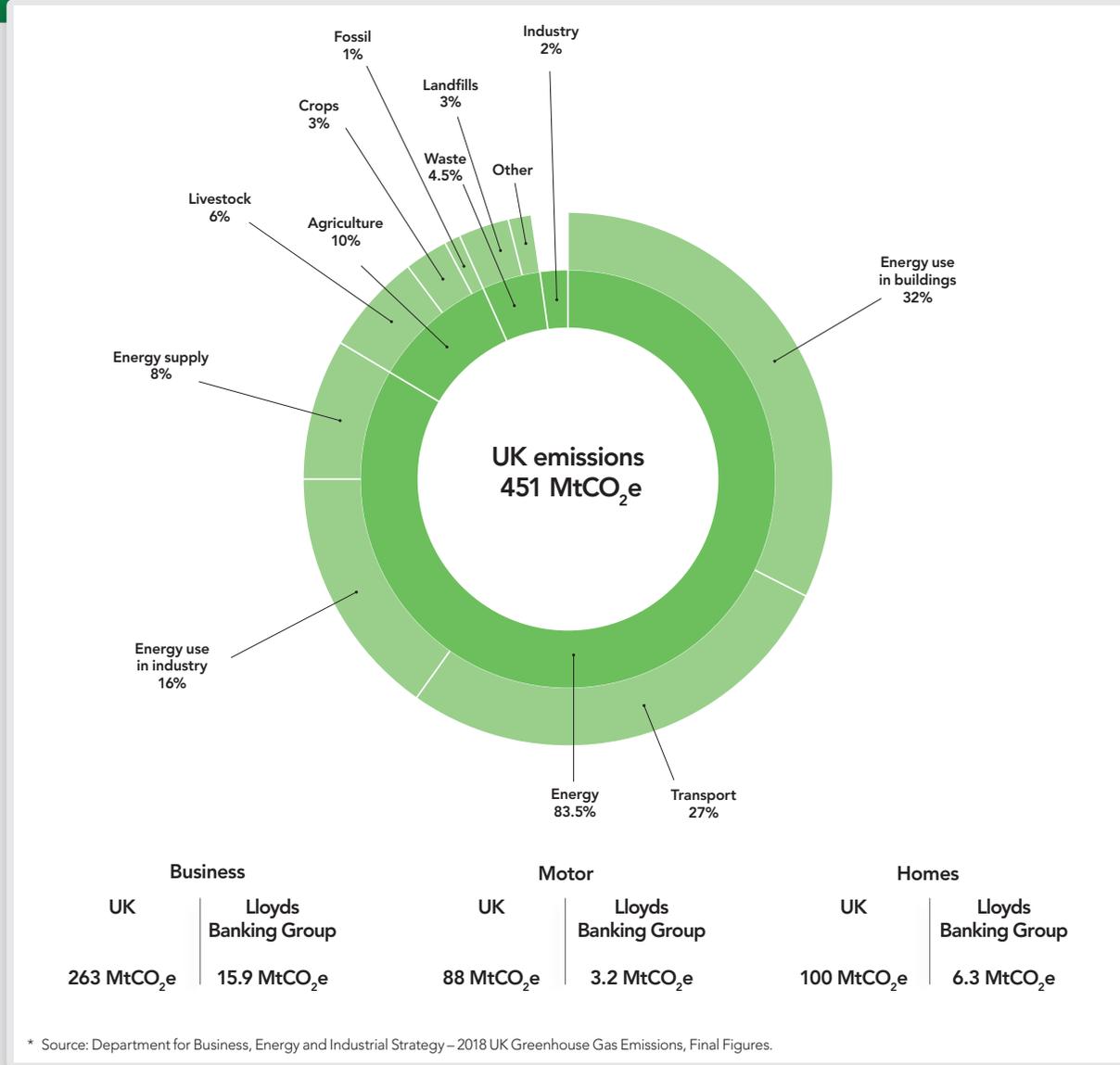
* Source: Department for Business, Energy and Industrial Strategy – 2018 UK Greenhouse Gas Emissions, Final Figures.

► Our environmental and social performance: Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

► Metrics and targets

COMPARING UK AND 2018 LLOYDS BANKING GROUP FINANCED EMISSIONS



Insurance and Wealth

The financed emissions for the Insurance and Wealth division are not included in the Group’s total financed emissions or the Group’s target to reduce financed emissions by 50 per cent by 2030 on the path to net zero, by 2050, or sooner. Due to the different nature of banking and investment activity, the Insurance and Wealth division will be further developing its approach to reporting appropriate climate metrics and targets during 2021.

Power sector ambition

In Commercial Banking we have been working to develop a power sector ambition as power sector decarbonisation is critical for the UK to achieve its net zero goal.

We have determined that the power generation portfolio, comprising only Commercial Banking large corporate and project finance portfolio facilities, generated financed emissions of 0.7 MtCO₂e in 2018, with an emission intensity of 141 gCO₂e/kWh on a drawn basis, covering both UK and EU exposures. This is lower than the UK average grid emissions intensity of 283 gCO₂e/kWh in 2018, due to our market-leading support for UK offshore and renewable energy.

Having assessed our Commercial Banking large corporate and project finance power generation portfolio against decarbonisation plans and our commitment to Help Britain Prosper, we are now setting an ambition to reduce the portfolio’s emission intensity to **less than 75 gCO₂e/kWh by 2030***. This is in line with the UK’s net zero ambition, but takes into account the combination of UK and European clients in our portfolio.

Achieving our ambition will be dependent on:

- ➔ The UK Government putting in place the required policy framework to meet the Committee on Climate Change’s recommended 2030 decarbonisation goals
- ➔ European national governments putting in place the required policy frameworks to achieve their national and EU-mandated decarbonisation plans
- ➔ Major utilities achieving their decarbonisation objectives, including renewable financing, by 2030 as publicly stated in their annual reports

We already have a robust client engagement strategy in the power generation portfolio that includes supporting renewable energy and offshore wind in particular. We will continue to work with our clients to understand and engage on their future plans and alignment to net zero.

Note:

* We have followed the PCAF recommendation to only account for drawn lending exposure in our financed emissions disclosure. It is important to highlight that the undrawn portion of the power generation portfolio could result in fluctuations to the emission and power intensity baseline.

We have used the business loans approach for calculating emissions from large corporate clients and project finance method for specific power projects.

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain transition to a sustainable low-carbon economy**

Green finance

In 2020, we provided over £2.3 billion of green finance in Commercial Banking, through our Clean Growth Finance Initiative, Commercial Real Estate Green Lending Initiative, Renewable Energy Financing and Green Bond facilitation. This increased our total green finance to over £7.3 billion since 2016. In addition, we have supported clients with over £1.8 billion of Sustainability Linked Loans since 2017. These green finance products support a range of eligible product activity including reducing emissions, improving energy efficiency, reducing waste, improving water efficiency, and funding low-carbon transport and renewable energy.

New climate pledges for our own operations

In 2019, we announced achievement of our 2030 carbon emission reduction goal for our own operations, 11 years early, having reduced carbon emissions by 63 per cent between 2009 and 2019, and exceeding our 60 per cent reduction target. We are now able to announce three new operational climate pledges which accelerate our plan to tackle climate change and apply across our operations:

- ➔ We will achieve **net zero carbon operations by 2030**. We plan to reduce our direct emissions (known as Scope 1 and 2 emissions) by at least 75 per cent (compared with 2018/19 levels)
- ➔ We will **reduce our total energy consumption by 50 per cent by 2030** (compared with 2018/19). While we already procure zero carbon electricity, it remains crucial that we reduce the amount of power we consume to support the UK in meeting an increasing demand for renewable energy

- ➔ We will **maintain travel carbon emissions below 50 per cent of pre-pandemic (2018/9) levels**, embedding for the long term the reduced levels of commuting and business travel seen during the pandemic and supporting colleagues to switch to low-carbon transport

Achieving these goals will not be easy, and we will need to invest in our buildings over the next decade, supporting the UK to make a green recovery. We will continue to deploy energy-efficient technology including LED lighting and improved building controls. We will remove all use of natural gas from our estate, replacing our gas boilers with zero-carbon heating technologies and create sustainable branches in communities across the UK. Many of the technologies we will need to use are still new and we will need to work closely with our partners and supply chain to innovate.

Scope 1, 2 and 3 emissions

Greenhouse gas emissions
The Group has voluntarily reported greenhouse gas emissions and environmental performance since 2009, and since 2013 this has been reported in line with the requirements of the Companies Act 2006 and its applicable regulations. Our total emissions, in tonnes of CO₂ equivalent, are reported in Table 4. Deloitte LLP has provided limited level ISAE 3000 (Revised) assurance over selected non-financial indicators as noted by . Their full, independent assurance statement is available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

Methodology

The Group follows the principles of the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate Scope 1, 2 and 3 emissions from our worldwide operations. The reporting period is 1 October 2019 to 30 September 2020, which is different to that of our Directors' report (January to December 2020). This is in line with the regulations in that the majority of the emissions reporting year falls within the period of the Directors' Report. Emissions are reported based on the operational control approach.

Reported Scope 1 emissions are those generated from gas and oil used in buildings, emissions from fuels used in UK company-owned vehicles used for business travel and fugitive emissions from the use of air conditioning and chiller/refrigerant plant. Reported Scope 2 emissions are generated from the use of electricity and are calculated using both the location and market-based methodologies. Reported Scope 3 emissions relate to business travel and commuting undertaken by colleagues, waste and the extraction and distribution of each of our energy sources – electricity, gas and oil. This year, in light of the pandemic's impacts on the Group's operations, we have included the emissions of colleagues working from home before and during the pandemic in our Scope 3 totals.

This year, our overall location-based carbon emissions were 159,487 tCO₂e; a 24 per cent decrease since 2019 and 72 per cent against our 2009 baseline (legacy scope). Significant reductions were achieved between October and March of this reporting year. These are attributable to our programme of environmental

TABLE 3: INTENSITY RATIO

	Oct19–Sep20	Oct18–Sep19	Oct17–Sep18
Legacy scope			
GHG emissions (CO ₂ e) per £m of underlying income (location based)*	10.4	11.5	13.0
GHG emissions (CO ₂ e) per £m of underlying income (market based)*	4.7	5.6	6.2
Expanded scope			
GHG emissions (CO ₂ e) per £m of underlying income (market based) – expanded scope**	13.6	15.8	17.3
GHG emissions (CO ₂ e) per £m of underlying income (location based) – expanded scope**	7.9	9.9	10.6

* Intensities have been restated for 2017/18 and 2018/19 to reflect changes to emissions data only, replacing estimated data with actuals; underlying income figures for those years have not changed.

** Scope 3 emissions have been expanded to include additional elements within the Group's own operations including emissions from waste, colleague commuting and additional elements of business travel (including taxis, tube, well to tank emissions of business travel and hotels). We have disclosed these figures parallel to legacy scope numbers to allow fairer comparison with numbers previously disclosed and to demonstrate performance versus our previous targets. Additionally, October 19–Sep 20 Scope 3 figures include an allowance for emissions from homeworkers not previously accounted for, owing to the significant increase in materiality year to year due to the impacts of coronavirus. Previous years have not been restated.

action since 2010, which has delivered a reduction in gas and electricity consumption through extensive energy management, alongside decarbonisation of the UK electricity grid from October to March 2020. Further reductions have been caused by the impact of the pandemic on our operations and reported emissions.

A significant reduction of 20,971 tCO₂e was achieved between October and March of this reporting year (reduction in legacy location-based emissions compared with the equivalent period in the previous year).

A large proportion of our colleagues worked from home in 2020 in line with travel restrictions and advice, which has led to a considerable reduction in both Scope 1 and 3 business travel numbers reported. Lloyds Banking Group building energy, gas and electricity also reduces in part due to the impacts of this operational shift, though impacts are not as significant.

Our Scope 2 market-based emissions figure is 0 tCO₂e, as we have procured renewable energy certificates equal to our total electricity consumption in each of the markets we operate since January 2019.

► Our environmental and social performance: Progress in 2020

► Helping Britain transition to a sustainable low-carbon economy

TABLE 4: TOTAL GREENHOUSE GAS EMISSIONS

CO₂e EMISSIONS (TONNES) – LEGACY SCOPE

CO ₂ e emissions tonnes:	Oct19–Sep20	Oct18–Sep19 ¹	Oct17–Sep18 ¹
Total CO ₂ e (market-based) ✓	71,704	101,856	116,100
Total CO ₂ e (location-based) ✓	159,487	208,495	243,028
Total Scope 1 & 2 (location-based) ✓	126,890	155,270	178,378
Of which UK Scope 1 & 2 (location-based)	126,209	152,893	176,676
Total Scope 1 & 2 (market-based) ✓	39,107	48,631	51,450
Of which UK Scope 1 & 2 (market-based)	38,806	47,946	49,213
Total Scope 1 ✓	39,107	48,246	49,505
Total Scope 2 (market-based) ✓	–	385	1,945
Total Scope 2 (location-based) ✓	87,783	107,025	128,873
Total Scope 3 ✓	32,597	53,225	64,650

CO₂e EMISSIONS (TONNES) – EXPANDED SCOPE

CO ₂ e emissions tonnes:	Oct19–Sep20	Oct18–Sep19 ¹	Oct17–Sep18 ¹
Total CO ₂ e (market-based) ✓	120,308	180,153	197,623
Total CO ₂ e (location-based) ✓	208,092	286,792	324,551
Total Scope 3 ✓	81,202	131,522	146,173

GLOBAL ENERGY USE

Global energy use (kWhs)	Oct19–Sep20	Oct18–Sep19 ¹	Oct17–Sep18 ¹
Total global energy use ✓	524,024,822	591,341,929	623,467,500
Of which UK energy use	518,717,523	585,136,101	617,185,723
Total building energy	503,709,548	551,778,914	577,606,213
Total company-owned vehicle energy	14,436,436	29,987,906	34,889,251
Total grey fleet vehicle energy ²	5,878,838	9,575,109	10,972,036

1 Restated 2017/2018 emissions data to improve the accuracy of reporting, using actual data to replace estimates.

2 Grey fleet refers to colleague and hired road vehicles being used for a business purpose.

Emissions in tonnes CO₂e in line with the GHG Protocol Corporate Standard (2004). We are reporting to the revised Scope 2 guidance, disclosing a market-based figure in addition to the location-based figure.

The definitions of measurement and reporting of Scope 1,2,3 emissions is provided in the Lloyds Banking Group Reporting Criteria statement available online at www.lloydsbankinggroup.com/our-group/responsible-business.

Scope 1 emissions include mobile and stationary combustion of fuel and operation of facilities.

Scope 2 emissions have been calculated in accordance with GHG Protocol guidelines, in both location and market-based methodologies.

Scope 3 emissions reported are disclosed in line with our legacy target, per the expanded scope to include additional elements within the Group's own operations including emissions from waste, colleague commuting and additional elements of business travel (including taxis, tube, well to tank emissions of business travel and hotels). We have also disclosed legacy scope numbers to allow fairer comparison with numbers previously disclosed and to demonstrate performance versus our previous targets.

✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

Omissions

Emissions associated with joint ventures and investments are not included in this disclosure as they fall outside the scope of our operational boundary. The Group does not have any emissions associated with imported heat, steam or cooling and is not aware of any other material sources of omissions from our reporting.

Energy efficiency

While the pandemic has significantly impacted our energy performance year on year, we did see a 4 per cent year-to-year energy consumption reduction achieved in a six-month period prior to the impacts of coronavirus, largely due to our energy reduction initiatives. These initiatives include an energy optimisation programme; an energy intervention scheme that includes remote and onsite optimisation; and strategic alterations of the building management systems and controls systems to match the run hours of plant to core operating hours and ensure temperature settings are aligned with Group comfort guidelines. In 2020, 89 deep dives, 88-onsite optimisations, 13 remote optimisations and 550 bank holiday programming optimisations were completed, which resulted in a 105 GWh saving. Additionally, Lloyds Banking Group saw a 14 per cent year-to-year energy reduction in our company-owned vehicles energy usage in the six-month period prior to April 2020, due to our ongoing focus on reducing business travel.

Looking forward

In 2021, we will continue to develop additional sector-based ambitions to support our goal to help reduce the emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050, or sooner. We will continue to enhance our methodologies and framework for reporting climate risks and opportunities, taking into account relevant industry guidelines and regulatory reporting requirements. This will further advance our disclosures and respond to the evolving needs of both our shareholders and other stakeholders.

We will further embed climate risk into our risk management framework and improve our climate scenario analysis including participating in the Bank of England's 2021 Biennial Exploratory Scenario on the Financial Risks for Climate Change.

This will be complemented by our plans to undertake further sector deep dive reviews during 2021 to enhance our portfolio and sector understanding, identifying the risks and opportunities across the portfolio; and we will launch our climate risk assessment tool to enable us to undertake qualitative client assessments, in order to understand and monitor our clients' transition plans.

We will accelerate the decarbonisation of our operations, beginning the implementation of our 10-year plan to achieve net zero operations by 2030.

► Our environmental and social performance: Progress in 2020

► ESG in lending and investment

ESG in lending and investment



Lloyds Banking Group expects all of our customers to comply with applicable international conventions, sanctions and embargoes, legislation and licensing requirements while showing a clear commitment to robust ESG and risk management.

Within our risk appetite, we aim to support and benefit from ESG investment opportunities, offering customers sustainable investment choices, and challenging companies that we invest in to behave more sustainably and responsibly.

Highlights

- ➔ We have tightened our lending appetite for the coal sector
- ➔ We have further enhanced our environmental and social risk lending due diligence processes. In 2020, we have developed and piloted a tool in Commercial Banking to help assess our clients' physical and transition risks
- ➔ We have established a dedicated Responsible Investment team in our Insurance and Wealth division and have launched our Responsible Investment Framework and Stewardship Policy through Scottish Widows

Lloyds Banking Group sector statements

We recognise our responsibility to help address the economic, social and environmental challenges that the UK faces and remain fully committed to Helping Britain Prosper and supporting environmental sustainability. As a result, Lloyds Banking Group has identified selected sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society, creating the need for the Group to have clear guidance in terms of risk appetite for selected activities. The sector statements set out our approach and appetite to lending as it relates to high-risk sectors, whether this risk derives directly from climate or from reputational risk.

Our 2020 review of our sector statements has tightened our lending appetite for exposure to the coal sector even further. Lloyds Banking Group will not:

- ➔ Engage new commercial banking customers where any revenue is derived from operating thermal or metallurgical coal mines
- ➔ Directly finance new or existing UK coal-fired power stations by the end of 2022
- ➔ Support new project finance or direct investment in coal power operations of diversified utility companies elsewhere in the world, unless the finance is used to decommission the coal power generation or convert to renewable power generation

- ➔ Provide general purpose banking or lending to any new customers where any revenue is derived from operating coal-fired power stations in the UK

In addition to the above exclusions, we will support existing customers in the coal industry to diversify their strategy to eliminate coal mining or coal power operations from their UK operations in line with the UK Government's 2024 phase-out target.

We will also encourage clients with international coal-related operations to reduce their exposure in line with the Paris Agreement.

During 2020, we have now placed additional emphasis on the importance of engagement with clients in the oil and gas sector to determine whether they have Paris-aligned transition plans in place.

We will continue to develop sector-specific guidance to help Relationship Managers identify environmental and social risks.

The scope of our Sector Statements:

- ➔ Coal
- ➔ Oil and gas
- ➔ Power
- ➔ Mining
- ➔ Forestry
- ➔ Defence
- ➔ Manufacturing
- ➔ Automotive
- ➔ Agriculture
- ➔ Animal welfare
- ➔ Fisheries
- ➔ UNESCO World Heritage Sites

Sustainability risks and lending

We have continued to strengthen our capabilities and abilities for identifying, assessing and managing sustainability risks across our lending assessments, credit and sector risk appetite and policy setting and ongoing risk management processes.

Relationship Managers and Credit Officers across the Commercial Banking must ensure that sustainability risks are considered at transaction origination and monitored on an ongoing basis throughout the customer lifecycle. In Commercial Banking Relationship Managers and Credit Risk Officers must consider sustainability risk for all new and renewal credit applications, and specifically comment on this where total limits exceed £500,000.

In 2020, we have developed and piloted a tool in Commercial Banking to help assess our clients' physical and transition risks. This will enable Relationship Managers and Credit Officers to better understand sustainability risks and customers' plans for transitioning to a low-carbon economy.

Climate risk is also being embedded in our credit processes as part of our wider ESG focus. More information is available in the discussion on risk management on page 26 of this report.

SASB indicator:

FN-CB-410a.2	FN-IN-410a.2
FN-IN-410b.2	FN-AC-410a.2
FN-CB-410a.1	FN-AC-410a.3

We continue to develop guidance and tools to help Relationship Managers and Credit Officers identify and manage the climate risk associated with our customers, including:

- ➔ Actions being taken by the customer to reduce GHG emissions
- ➔ Exposure to physical and transitional risks from climate change
- ➔ Potential opportunities to support the client in their transition journey

We have a robust approach to identifying, assessing and managing the environmental risk associated with our customers' business activities and lending collateral.

During 2020, we have also simplified our environmental risk policy. All cases that are identified as higher risk by our Environmental Risk Screening Tool are subject to further review. Higher-risk applications will also be reviewed by our in-house environmental risk team. Where specific or material environmental risks or concerns are identified, cases are referred to retained environmental risk consultants for an opinion on the adequacy of the mitigants in place or recommendations on managing the environmental risk. The key findings from such due diligence must be factored into credit applications which inform lending decisions.

Additional links

- ➔ The Lloyds Banking Group Sector Statement
- ➔ The Lloyds Banking Group Equator Principles Performance table
- ➔ Scottish Widows Responsible Investment Framework
- ➔ Scottish Widows Stewardship Policy
- ➔ Scottish Widows Exclusions Policy
- ➔ Scottish Widows Principles of Responsible Investment Report



► **Our environmental and social performance:** Progress in 2020

► **ESG in lending and investment**



The Equator Principles

Lloyds Banking Group is a signatory to the Equator Principles, which is a risk management framework for managing sustainability risks in project finance transactions, such as large-scale energy, industrial or infrastructure projects. It ensures that such deals, where we provide finance or advice, meet minimum standards for due diligence and monitoring in keeping with responsible finance.

In 2020, we implemented the enhanced requirements of Equator Principles 4. This strengthens the due diligence requirements for signatories to consider the environmental and social risk impacts of projects specifically on human rights, climate change and biodiversity, including aligning climate change risk assessments with the physical and transition risk categories of the TCFD.

We have a robust approach to the review and reporting on Equator Principle transactions through an internal referral and risk assessment process through our environmental due diligence and/or technical adviser reports being a key requirement in our analysis of project finance transactions, alongside engagement with environmental consultants, enabling us to make responsible business risk decisions.

Our 2020 Equator Principles performance table is included in Appendix 2 of this report on page 72.

Responsible investment and stewardship

Scottish Widows look after the retirement savings of millions of hard-working people and our role is to help them plan for their long-term financial prosperity. To do this, it's important we continue to use our scale and influence, along with our fund manager relationships, to challenge the companies we invest in on our customers' behalf to be the sustainable businesses of the future. We aim to address material financial risks and opportunities linked to ESG factors in the investments we make, and this is the foundation of our Responsible Investment Framework.

Over the course of 2020, we have focused on building robust foundations for future responsible investment activity, launching our Responsible Investment Framework in March and developing Stewardship and Exclusions Policies. We have also established a Responsible Investment team which is made up of professionals with diverse backgrounds in responsible investment, policy, research, advocacy, data and climate science. The team is set to continue to grow in line with our developing ambition in stewardship and responsible investment.

Currently, our responsible investment principles are applied to our equity investments. Over time, we aim to extend them to other types of investments, like bonds. Our Responsible Investment Team is also working with Government, regulators and the pensions industry to unlock opportunities to invest in the infrastructure required to successfully transition to a lower-carbon economy, like renewable energy facilities.

Executive oversight is provided by a Responsible Investment Committee, which is a sub-committee of the Insurance Investment Strategy Committee. This committee, with strong Board support, plays a pivotal role in setting Scottish Widows' sustainability agenda and provides strategic direction to our responsible investment activity.

We have externally published Lloyds Banking Group Sector Statements across a range of sectors which our new direct lending transactions need to meet, and our mandated asset managers are required to follow the Scottish Widows Stewardship Policy and Exclusions Policy. These statements and policies are consistent with the overall Group ambition, which is to align lending and investments with a fair and orderly transition to a sustainable and low-carbon economy, thus reducing our exposure to ESG and climate-related risks and maximising the value of investments in the long term.

As an asset owner, we work with the largest of our investee companies to engender positive change and enhance their approach to climate and Board diversity issues. We delegate broader engagement activity to our investment managers, who we oversee to ensure they live up to their promises. Where we have found their demonstrated activity has not fulfilled the promises made to the market, we have escalated and followed up on the resolution.

Shareholder investment activity includes providing direct loans to finance renewable energy and infrastructure projects such as investment in the world's

largest offshore wind farm and solar energy transactions, as well as supporting the installation of smart meters across the UK, helping households to save money and cut carbon emissions.

We are early adopters of the recently launched Sustainability Reporting Standard for Social Housing, which aims to standardise ESG reporting in the sector, and we are an active funder to social housing providers to support delivery of new-build social and affordable housing. We have also committed over £700 million to private sector housing provision, where we aim to drive a positive social impact, including the provision of over 6,500 quality rental homes and more than 2,500 specialist residential beds across the UK.

For Customer funds, we are investigating responsible investment metrics, such as carbon intensity and how to share this with our customers. This area is moving quickly, and we expect much to become visible in 2021. This will evolve in the short term, as consensus on the best communication methods with our clients and customers across the industry matures. When developing new metrics and assessing their applicability to our various communications, we are working to ensure we provide supporting educational material to allow customers to understand the meaning of the figures we show them, as well as establishing necessary safeguards to prevent impulsive decision-making which could lead to sub-optimal customer outcomes.

► **Our environmental and social performance:** Progress in 2020

► ESG in lending and investment

Collaboration

We recognise we can be most effective through collaboration and we continue to work with other external bodies, organisations and initiatives pursuing responsible investment and climate-related policy or advocacy initiatives:

- Institutional Investors Group on Climate Change – playing a leading role in the development of the Net Zero Investment Framework
- Principles for Responsible Investment
- UNEP FI Principles for Sustainable Insurance
- The Association of British Insurers



BlackRock ACS Climate Transition World Equity Fund

We have partnered with BlackRock to create a new fund aligned to the goals of the Paris Agreement, helping mitigate climate change risks and benefiting from the opportunities relating to the low-carbon transition. We have now committed £2 billion of our pension default product, the PIA, to be invested into this fund – the Climate Transition World Equity Fund, which was launched in August. This will enable over 2.6 million pension savers to invest more sustainably. We are also expanding its use within our wider multi-asset fund range. Compared with benchmarks, this fund could be expected to achieve a 50 per cent reduction in carbon emissions intensity and to achieve 60 per cent more revenue from ‘green’ technologies. At the same time, the investment approach for the rest of the default is one of continued ESG integration, with the underlying funds moving to introduce exclusions on UN Global Compact, controversial weapons, thermal coal and tar sands over the next year, as publicised in the Scottish Widows Exclusions Policy.

Stewardship activity in 2020

- In 2020, we continued our direct engagement with BP and Shell to discuss their plans to evolve their businesses into green energy production and increase transparency in the way they manage climate change risk in order to seek to reduce the risk of our investments in these companies becoming ‘stranded assets’, a key way in which sustainability risk becomes investment risk
- We worked collaboratively with the wider investment industry, signing two open letters to Government over the course of the year encouraging the development of carbon-aware economic recovery plans (‘build back better’); this activity saw fruition in the publication both of the Chancellor’s suite of green finance plans and the Prime Minister’s Ten Point Plan for a green industrial revolution



Investment exclusions in action

Scottish Widows is to divest at least £440 million from companies that have failed to meet its ESG standards, and warned this figure could grow much further if companies do not take action to improve the sustainability of their business practices. Early success of our engagement with one of our partner asset managers has led the investment manager to introduce an exclusions policy for all their Europe-domiciled passive funds totalling over £20 billion, leading to an additional divestment of approximately £280 million within our customer pension portfolios. Scottish Widows’ new exclusions policy targets companies which derive more than 10 per cent of their revenue from thermal coal and tar sands, manufacturers of controversial weapons and violators

of the UN Global Compact on human rights, labour, environment and corruption – unless the size and type of investment means that the insurer can influence positive change in their business models. As one of the biggest pension providers in the UK, Scottish Widows’ new exclusions policy will enable nearly 6 million UK savers to invest more sustainably. These exclusions will be applied across the group’s life, pension and Open Ended Investment Company funds – including its flagship workplace pensions default – and will apply to index trackers as well as its own active funds. As part of the policy, Scottish Widows is working with its strategic investment partners to apply the exclusions to the external pooled funds they manage on behalf of a broad range of institutions in order to enable even more UK savers to invest more sustainably.

► Our environmental and social performance: Progress in 2020

► Championing Britain's diversity

SASB indicator:
FN-AC-330a.1

Championing inclusion and diversity

E S G

Highlights

- During 2020, we launched our Race Action Plan. The Group was the first FTSE 100 company to launch a new public goal to specifically increase Black representation in senior roles
- We have published our first Ethnicity Pay Gap Report
- We have published our annual Gender Pay Gap Report
- We achieved the external Hampton-Alexander goal of 33 per cent women in the combined Executive Committee and direct report population

Lloyds Banking Group aims to create a fully inclusive environment that is representative of modern-day Britain and where everyone can reach their potential.

As the first FTSE 100 company to set targets to increase both gender and ethnic diversity at senior levels, we continue to invest in making the Group a leading inclusive employer, where the unique differences our colleagues bring to work every day are valued.

Building a truly inclusive organisation also requires us to be an anti-racist organisation – one where all colleagues speak up, challenge and act to take an active stance against racism and discrimination of any kind.

Getting this right is at the heart of our purpose to Help Britain Prosper – a more inclusive society is a more prosperous society, and a diverse business is a better business.

Our focus on inclusion and diversity is a source of pride for our colleagues; this year, according to our colleague engagement survey, 85 per cent agreed that the Group is an inclusive place to work. Approximately 50 per cent of our colleagues belong to or support one of our five employee diversity networks.

Ethnic diversity

Being able to attract, develop, fully utilise and retain top talent from diverse ethnic and cultural backgrounds is key to the success of the Group. Lloyds Banking Group is investing in creating an organisation where our Black, Asian and Minority Ethnic colleagues feel included, valued and able to realise their full potential.

In 2018, we made a public commitment to increase the ethnic diversity of both our overall and senior workforce, which has led to positive changes; however, feedback from our Black colleagues told us there was still more to do.

In July 2020, our Group Chief Executive, António Horta-Osório launched our Race Action Plan, which includes a new public goal to specifically increase Black representation in senior roles from 0.6 per cent at senior grades to at least 3 per cent by 2025 to align with the overall UK labour market. The plan aims to drive cultural change, recruitment and progression across the Group. In December 2020, we broadened our plan to go further and work beyond our own internal boundaries by actively supporting Black communities through our partnerships with Foundervine and the Black Business Network.

We have already delivered a number of activities, including establishing a new Race Advisory Panel, made up of Black, Asian and Minority Ethnic colleagues to influence and inform our diversity strategy, delivering a series of race education sessions for all senior leaders, and publishing our Ethnicity Pay Gap Report.

The Board currently meets, and will aim to continue to meet, the objectives of the Parker Review of at least one Black, Asian or Minority Ethnic Board member.

We have commenced the roll-out of a wider race education programme for all colleagues, launched our new Talent Identification Programme for our Black senior managers, and have started to review our key people processes to remove any issues of racial bias within the Group.



OUR INCLUSION AND DIVERSITY DATA		2020	2019
Gender			
Board members	Male	8	9
	Female	4	4
GEC & GEC direct reports	Male	86	111
	Female	41	50
Senior managers	Male	4,540	4,539
	Female	2,670	2,647
Colleagues	Male	28,948	29,522
	Female	39,817	41,033
Ethnicity			
% of Board Members from an Ethnic Minority Background		8.3%	NR
% of Senior Managers from an Ethnic Minority Background ✓		7.7%	6.7%
% of Colleagues from an Ethnic Minority Background ✓		10.6%	10.2%
Disability			
% of Colleagues who disclose that they have a disability		3.2%	2.8%
Sexual orientation			
% of Colleagues who disclose that they are lesbian, gay, bisexual or transgender		2.3%	2.2%

All data as at 31 December 2020. Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to Board. GEC and direct reports includes the Group Chief Executive, GEC and colleagues who report to a member or attendee of GEC, excluding administrative or executive support roles (personal assistant, executive assistant).

Reporting: A colleague is an individual who is paid via the Group's payroll and employed on a permanent or fixed term contract (employed for a limited period). Includes parental leavers, and internationals (UK includes Guernsey, Isle of Man, Jersey and Gibraltar). Excludes leavers, Group Non-Executive Directors, contractors, temps, and agency staff.

Diversity: Calculation is based on headcount, not FTE (full-time employee value). Data source is HR system (Workday) containing all permanent colleague details. Gender: includes international, those on parental/maternity leave, absent without leave (AWOL) and long-term sick. Excludes contractors, Group Non-Executive Directors, temps and agency staff. All other diversity information is UK payroll only. All diversity information is based on voluntary self-declaration, apart from gender, so is not 100 per cent representative; our systems do not record diversity data of colleagues who have not declared this information.

Ethnic background: comprising of mixed/multiple, Asian, Black, Middle Eastern, North African and other (non-white) ethnicities.

Colleague grades: from A through to J, Senior Executive (SE), Executive (EX) and Executive Director (ED), A being the lowest.

Senior Managers: Grades F, G, H, J, SE, EX and ED (F being the lowest).

NR: Data not reported during period.

✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>

Additional information

- The Lloyds Banking Group Inclusion & Diversity webpage
- Gender Pay Gap Report
- Ethnicity Pay Gap Report



► **Our environmental and social performance:** Progress in 2020

► **Championing Britain's diversity**

OUR RACE ACTION PLAN COMMITMENTS

While we had a comprehensive ethnicity strategy in place for some time, and have made progress that we can be proud of, we know there is more to do. We recognise that specific groups face difficult and sometimes nuanced challenges.

These are the commitments that make up our plan. We are continually reviewing and updating these with input from our Race Advisory Panel to ensure our actions are the right ones.

- 1.** We have set a new public goal, complementing our broader 2018 Black, Asian and Minority Ethnic target, to specifically increase Black representation in senior grades from 0.6 per cent at senior roles to at least 3 per cent by 2025, to align with the overall UK labour market.
- 2.** We have set up a Race Advisory Panel, made up of 23 colleagues of Black, Asian and Minority Ethnic heritage, to influence and inform our ongoing diversity strategy and ensure we are making the right progress.
- 3.** We are working in partnership with external experts to develop a race education programme and have already delivered a series of sessions for our senior leaders to learn about the challenges faced by Black communities, and to equip them to have informed conversations with their teams about race and ethnicity. In 2021, we will continue this programme with our line managers and colleagues.
- 4.** We are undertaking regular listening sessions to gauge and understand our colleagues' experiences and progress against our plans. We plan to keep on listening.
- 5.** We committed to publish our first Ethnicity Pay Gap Report by the end of 2020.
- 6.** We ensure diversity on all our senior executive recruitment shortlists with a Black, Asian and Minority Ethnic candidate. We have trained recruiters, hiring managers and third-party suppliers to ensure they understand our expectations and have the tools to hire inclusively.
- 7.** We are nurturing our talented Black colleagues by creating specific development and sponsorship programmes for both middle management and senior grades, so that we can help break the ceiling for senior role models.
- 8.** Supporting Black Communities – Taking our work beyond our own organisation and starting to help address challenges faced by Black communities, beginning with partnerships with Foundervine and the Black Business Network specifically to help Black entrepreneurs.



► **Our environmental and social performance:** Progress in 2020

► **Championing Britain's diversity**

OUR 2020 PROGRESS ON OUR RACE ACTION PLAN

July

Our Race Action Plan was announced to drive change in our culture, recruitment and progression for Black colleagues. Senior Black representation stands at 0.6 per cent and we have set a goal to reach 3 per cent by 2025.

August

A Senior Race Action Plan lead was appointed to oversee our programme of activity and a working group was established to own and deliver the plan.

Our Race Advisory Panel was set up, made up of 23 Black, Asian and Minority Ethnic colleagues from across the business.

We delivered the start of a wide-scale race education programme with almost 60 per cent of senior managers and leaders, to get the conversations started about race with the expertise of external thought-leaders. We are continuing this project with our leaders into 2021.

We developed a 'Starting the Conversation on Race' support pack to equip line managers and colleagues with the information they need to be able to have supportive conversations around race and ethnicity within their teams.

September

We delivered a series of colleague communications and events to support the Race Action Plan, including webinar events exploring 'Cultural Conversations', 'Race and Mental Health' and 'Tackling Everyday Racism'.

We introduced diverse shortlists and waiver processes for executive appointments to ensure these include at least one Black, Asian and Minority Ethnic candidate.

October

We marked Black History Month by sharing stories of Black excellence among our colleagues and hidden figures in history.

Lloyds Banking Group stood with Business in the Community to support the call on Government to make ethnicity pay gap data a reporting requirement for companies.

We started reviewing our people processes to understand to what extent our recruitment, performance, conduct, and reward and recognition processes may favour some groups of people more than others.

November

We started taking some of our specialist teams through a full day of in-depth race education training with 250 colleagues in strategically crucial roles, such as conduct and performance management.

We upskilled our recruiters, hiring managers and third-party suppliers to ensure they understand our expectations and have the tools to hire inclusively.

We started working with new recruitment partners to help us better reach Black, Asian and Minority Ethnic talent.

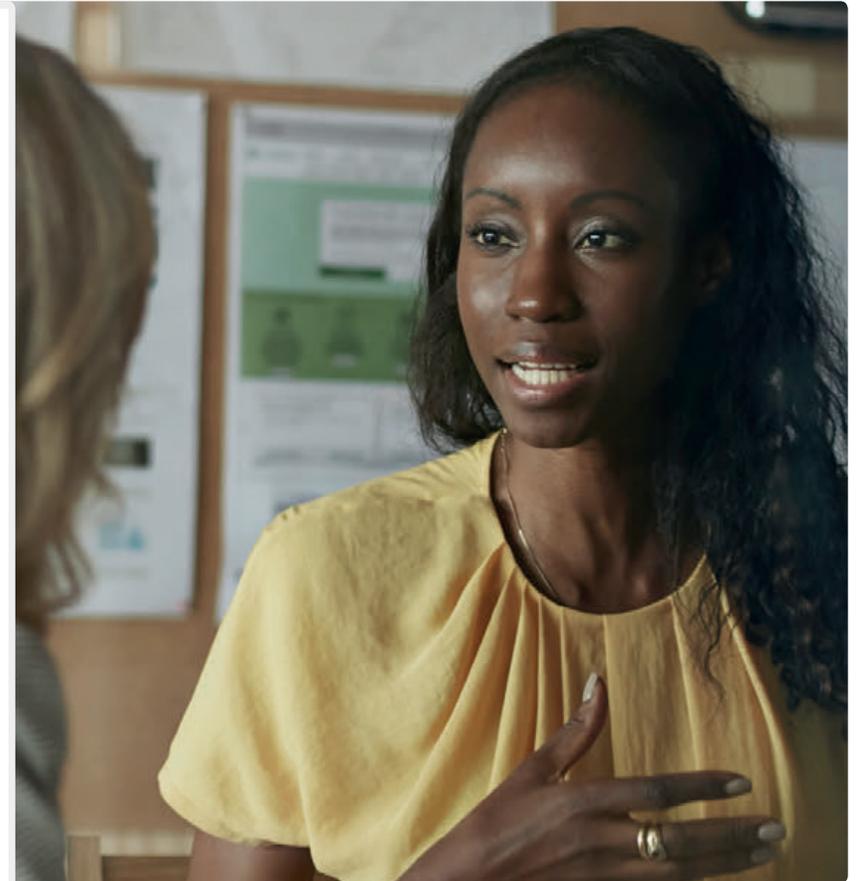
We began development of bespoke race education training for our line manager cohort and colleagues which we plan to launch in the first quarter of 2021.

December

Our Race Action Plan was widened to look at supporting challenges faced by Black communities externally, starting with a partnership with Foundervine and our sponsorship of the Black Business Network's Black Investor 360 event for 2020 and 2021.

We launched a new Talent Identification Programme for our Black senior managers.

We published our first Ethnicity Pay Gap Report.



► **Our environmental and social performance:** Progress in 2020

► **Championing Britain's diversity**

Gender diversity

We champion gender equality through promoting a strong pipeline of executive female talent for the future. Our ambitious target to have 40 per cent of senior management roles filled by women by the end of 2020 has seen us advance from 28 per cent in 2014 to 37 per cent at the end of 2020. Our goal was always aspirational and has provided real focus and, without it, we would not have made the progress that we have achieved.

We have continued to drive progress around female talent development, progression, recruitment through our existing programmes and activities, such as our Women in Leadership programme for middle management women, with around 20 per cent achieving a promotion within 12 months of attending and

45 per cent achieving a promotion within two years. In addition, our Sponsorship programme to match mid-manager grade women with a senior sponsor has resulted in attendees achieving a promotion rate five times greater than the Group average for female progression.

We have also continued to support our working parents with parental leave transition coaching to help colleagues and their line managers manage the transition from work, to taking time off as a parent, and then preparing to return to work again.

Our progress has been recognised externally for the second year in the 2020 Bloomberg Gender-Equality Index, and for the ninth consecutive year in The Times Top 50 Employers for Women. We have also been recognised by Working Families as a Top 10 Employer for working

families, and we achieved the external Hampton-Alexander goal of 33 per cent for women in the combined Executive Committee and direct report population. The Board has achieved the Hampton-Alexander objective of 33 per cent female representation, and will aim to continue to do so. We have also published our annual Gender Pay Gap Report.

Our women's network, Breakthrough, is now the largest of its kind in the UK with 15,000 members and 4,000 mentors. The Group has also been a proud sponsor of the Women of the Future Ambassadors Programme over the past seven years, providing mentors and role models and strengthening the pipeline of talent among young British women, reaching 20,000 students over the course of the programme.



The Big Question:
How do we have effective conversations about race and why does it matter?

Following the launch of our Race Action Plan, we invited all of our executive leaders to attend a one-hour webinar session entitled 'The Big Question: How do we have effective conversations about race and why does it matter?' with organisational psychologist, bestselling author and Founder of Amaechi Performance Systems, John Amaechi OBE. The purpose of these sessions was to help our executive leaders feel more comfortable in having positive and supportive conversations about race within their teams, and particularly with their Black, Asian and Minority Ethnic colleagues.

This was in response to feedback that many of our colleagues and leaders felt uncomfortable when it came to talking about race. The sessions have been attended by 91 per cent of our executive leadership population and have helped to provide immediate insight and support to leaders while we are developing our longer-term race education programme.

OUR PROGRESS ON GENDER DIVERSITY

2014	2015	2016	2018	2019	2020
We became the first FTSE 100 organisation to make a public commitment on gender equality in our Helping Britain Prosper plan.	We launched a Women in Leadership programme for middle management women.	We were among the first signatories to the Women in Finance Charter.	We launched a sponsorship programme for women and Black, Asian and Minority Ethnic colleagues.	By the end of 2019, we had increased representation of senior women from 27 per cent to almost 37 per cent.	We achieved the external Hampton-Alexander goal of 33 per cent for women in the combined Executive Committee and direct report population.

► **Our environmental and social performance:** Progress in 2020

► **Championing Britain's diversity**



Our sponsorship programme for mid-management women

In 2017, we introduced a new sponsorship programme to match mid-management grade women with a senior sponsor. In 2018, this was extended to include Black, Asian and Minority Ethnic colleagues (both male and female). So far 350 colleagues have taken part, with 30 per cent achieving a promotion to a senior role. To date, women on the programme have achieved a promotion rate five times greater than the Group average for female progression. This programme was highlighted in the 2018 Hampton-Alexander Review report as a leading approach to sponsorship.

A recent attendee on the programme, Gülizar Abdurrahman, Commercial Banking Client Products, tells us how the programme has supported her to achieve her ambitions.

“When being nominated for the sponsorship programme I had only recently secured a promotion to mid-management grade, but my line manager and peers could see my potential to one-day become a leader of the future.

The programme offered the platform I needed to showcase my talents, and the exposure to like-minded females across the Group to share my experiences and learn from theirs. My sponsor served as a great sounding board to discuss potential roles and suggested actions to address my areas of development. Within 18 months of joining the programme, I was accepted onto the Executive MBA Apprenticeship scheme with Henley Business School and was promoted to a senior manager. The sponsorship programme helped me fine tune the skills I needed to be a strong senior manager and leader, which my team and I are really benefiting from now.”

Gülizar Abdurrahman
Commercial Banking Client Products

Gender identity and sexual orientation

We are proud to have created an inclusive and open working environment for our LGBT+ colleagues, with the Group named Top Financial Employer, and seventh overall in the 2019 Stonewall Top 100 employers list. This achievement is the culmination of a journey that has seen the Group placed in the top 10 since 2015, and first in 2017, recognising the progress made and our continued commitment to LGBT+ inclusion. Our LGBT+ colleague network, Rainbow, plays a pivotal role in our approach, and with over 5,000 members and supporters, is one of the largest networks of its kind in the UK. In 2020, our Rainbow network celebrated their 10-year anniversary and held a series of virtual Pride events for colleagues spanning 10 weeks, reaching over 1,600 colleagues and raising £10,000 for LGBT+ charities.

Supporting disability

The Group is committed to creating an inclusive and diverse organisation where colleagues with disabilities or long-term health conditions feel valued, understood and supported to reach their full potential. This has been recognised through the Group holding the Business Disability Forum Gold Standard accreditation and retaining Disability Confident Leader status from the Department for Work and Pensions, which recognise the inclusive culture of Lloyds Banking Group and the support we provide.

We support these colleagues in a variety of ways, through workplace adjustments and a guaranteed interview scheme, as well as training and development programmes.

Supporting the sunflower

We are proud to support the Hidden Disabilities Sunflower Scheme. In August 2020, we were the first bank to launch this across all our Halifax, Bank of Scotland and Lloyds Bank branches. As some disabilities are not immediately visible, the lanyards are used to discreetly indicate that the wearer may need a little more support and prompt a conversation. This allows us to better understand our customers, and the challenges they may face, and adapt our behaviour to meet their needs.

► **Our environmental and social performance:** Progress in 2020

► **Assisting our customers**

Assisting our customers

E S G

Highlights

- To assist our customers during the pandemic, we launched a number of financial, digital and mental health support initiatives
- We made it easier for our customers less able to see us in branch to contact us, by launching priority phone lines with increased telephony resource, allowing them to reach us quickly and to avoid the need for unnecessary journeys
- We made over 750,000 outbound wellbeing calls to customers to offer support in 2020 through our branch networks, and partnered with Mental Health UK to create a mental health support section on our customer-facing webpages

Supporting our customers in challenging times

The Group is committed to providing meaningful support to meet the needs of our customers, aiming to provide positive outcomes and working to mitigate or reduce the risk of financial harm. The pandemic has magnified existing challenges faced by customers, and brought new challenges affecting health, income and relationships. By adapting our support, proactively contacting customers and using insight to understand what their needs are, we continued to support customers in challenging times.

We have supported over a million customers with payment holidays across mortgages, credit cards, loans and motor finance. This has given customers impacted by the pandemic the flexibility they need to help get them back on track and the comfort that their credit file will not be impacted.

Across mortgages and motor finance, we remain committed to giving customers time to recover from the impact of the pandemic without losing their home or vehicle. Additionally, further support was provided to our current account customers, with all customers benefiting from an initial three-month interest-free buffer on their overdraft.

We recognise the impact that the pandemic has had operationally and our ability to be there for our customers when they need us the most. Dedicated priority lines have been set up for NHS workers and the over-70s, along with increased telephony resource to support our customers. We have also trained some of our branch colleagues to increase our capacity to help customers who may be facing financial difficulty and need the support of a colleague. In addition to this we signpost customers to further support, including mental health support, available through our websites, mobile apps and direct mail.

We made it easier for our customers less able to see us in branch to contact us by launching a priority phone number, allowing them to reach us quickly and to avoid the need for unnecessary journeys. We made it easier for customers to find the help and support they needed, updating our websites with a dedicated pandemic support section, meaning customers could access the financial support available and undertake the things that were most important to them simply and easily.

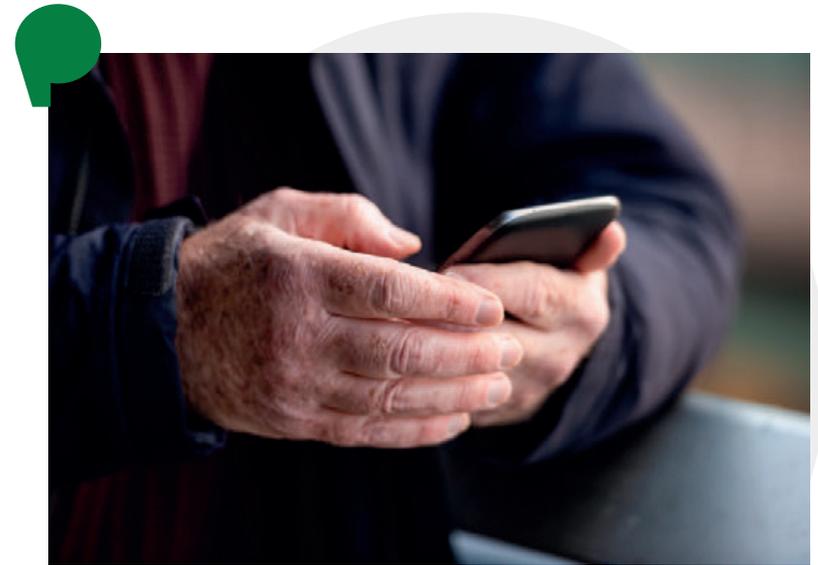
Our branch colleagues made over 750,000 outbound calls to customers throughout the year not only to support with their banking needs but to check on their wellbeing and in some cases connect customers to local support.

We recognise that many customers have chosen to interact with us digitally through this period, and so have developed a number of new online journeys which give customers access to set up and service forbearance plans with us. This also helps us to keep our phone lines available for those who need or want to speak to us. Additional information in the case study on page 51.

Supporting customer mental health

It has never been more important to continue to work to support our customers' mental health and wellbeing, given the extra pressures the current pandemic has placed upon all of us. During the coronavirus pandemic, we have provided funding for The Silverline, who support the over-55s who may be feeling lonely and isolated. We have worked in partnership with our charity partner Mental Health UK, to create bespoke mental health support for our website.

Lloyds Bank became the first organisation to achieve the Essentials level in the Mental Health Accessible Accreditation launched by the Money Mental Health Policy Institute. This is a significant milestone on our continuing journey towards not only supporting our customers with both visible and invisible disabilities, but also addressing the stigma that exists around mental health.



Connecting with our customers

I called Mr and Mrs A as part of the over-70s wellbeing calls. Mr A told me they were shielding because he has cancer. They have no support from any family or friends, were relying on the Government's food box, unable to get their prescriptions, and there was no one to support them with their banking as they only used branches. I first gave them the direct number for Middlesbrough Council's Help Boro department to locate volunteers to help them with food shopping and picking up their prescriptions. Mr and Mrs A were also worried about their credit card bill which was due. I put them through directly to the over-70s priority number

and signposted the different channels available. I gave Mr A our Cancer Support Team number; he was shocked at the support we provided and said, "you really care about us customers don't you!" It made me emotional knowing that they were both in a horrible situation with no support, but one phone call made all the difference to them. Mrs A ended the call saying "What a nice gesture to phone us, have a lovely day Hollie. I will forever remember this call."

Hollie contacted a customer local to the branch she works in Middlesbrough

► **Our environmental and social performance:** Progress in 2020

► **Supporting Businesses and SMEs**

Supporting businesses and SMEs

E S G

Highlights

- ➔ We have provided over £12 billion of lending through Government-backed lending schemes
- ➔ We have helped over 265,000 businesses start up since 2018
- ➔ We have trained 1,211 apprentices, graduates and engineers through our investment in the Lloyds Bank Advanced Manufacturing Training Centre since 2018
- ➔ We have invested over £5 million into supporting more than 230 businesses and 450 apprentices to develop science, technology, engineering and mathematics skills that will support the UK's recovery
- ➔ We have supported over 368,000 organisations in gaining digital skills and to adapt their businesses with technology since 2018 through strategic partnerships
- ➔ To support businesses in their transition to a low-carbon future, we launched several new green finance products, tools and services (page 20)

Supporting businesses to recover, adapt, start up and grow

Supporting businesses of all types and sizes is fundamental to helping Britain to both prosper and recover. The pandemic has had a profound impact on the way we live our lives and on the global economy. We remain fully focused on helping our customers and the UK economy recover, in collaboration with government and our regulators.

This year we have actively supported our clients with over £12 billion of lending through government-backed lending in addition to a range of propositions including approximately 34,000 capital repayment holidays and around 22,000 fee-free overdrafts as part of the Group's £2 billion COVID-19 fund. As the impact of coronavirus has been felt across the UK, we have also looked to address wider concerns about how the pandemic could affect businesses in a number of ways through providing online guides and webcast series covering a range of topics such as managing fraud risks, mental health, the road to a low-carbon economy, optimising working capital and risk management.

 Since 2018, we have now helped over 265,000 businesses start up and have re-affirmed our commitment to the UK's manufacturing sector providing £3.7 billion of dedicated investment, while continuing to build on our financial commitments with our broader support for a range of issues that impact business skills and productivity every day.

In support of the Group's Race Action Plan, we have committed to a programme of activities for Black-led businesses that we will progress in 2021.

In the real estate and housing sector, we have funded 19.1 million sq. ft. of commercial real estate to become more energy efficient, reducing greenhouse gas emissions in core business processes, properties and infrastructure since 2018. Over that same time period, we have committed to supporting renewable  energy transactions that could power the equivalent of 10.1 million homes.

We've made a specific commitment to support the agriculture sector to meet its ambitious net zero target of 2040, through our brands – Lloyds Bank, Bank of Scotland and the Agricultural Mortgage Corporation. The sector generates 10 per cent of the UK's carbon emissions, and we have a role to play as the largest lender to the sector. Our package of measures includes lowering the minimum lending amount to access green funding, broadening what we finance, and promoting and facilitating the use of three market-leading carbon measurement tools.

For over five years, Lloyds Banking Group has evidenced how crucial technology is for small businesses and the digital economy through the Business Digital Index reports. In 2020, in partnership with Be the Business, we provided a one-off piece of thought leadership looking at the impact of COVID-19 on digitalisation and business resilience. We've held free workshops, peer-to-peer networking sessions across all regions of the UK and have a range of free on-demand learning available, helping over 368,000 organisations since 2018, with more in plan for 2021 and beyond.

Our Clean Growth Finance Initiative (CGFI), which aims to offer the most inclusive UK green funding in the

commercial banking market, provides the incentive of discounted borrowing to all types of businesses that invest in reducing their environmental impact. Building on this, we launched several new green finance products, tools and services in 2020. Further information on our green finance initiatives can be located on page 20.

The Big Conversation – Helping Britain Recover

Lloyds Banking Group has brought together more than 900 businesses, community members, policy-makers and subject-matter experts across the UK's nations and regions to explore how we can help the UK recover from the impact of coronavirus.

Conversations have covered a range of topics, from accessing the finance and skills needed to return to prosperity, to the opportunities brought about by an increasingly digital economy. Discussions also revealed a shared view of what the critical priorities should be for policy-makers.

We've partnered with the Confederation of British Industry, bringing the voices and experience of its 190,000 members to the conversation.

SASB indicator:
FN-CB-240a.1

Additional information

- ➔ The Big Conversation
- ➔ The Lloyds Bank Advanced Manufacturing Training Centre

► **Our environmental and social performance:** Progress in 2020

► Supporting Businesses and SMEs

Mayfield Eggs

Witney-based Mayfield Eggs has adapted its processes to provide packs of fresh free-range eggs to homes across Oxfordshire, while maintaining its supply to local independent stores. The shift has helped to ensure that elderly and vulnerable residents who are unable to get to the shops can still buy eggs during the coronavirus pandemic.

They've been able to deliver produce more quickly and efficiently with the help of a new on-site packaging facility and grading machine, which speeds up the packing process by sorting the eggs by size and weight and packing them into cartons. The machine was purchased with the help of a £480,000 loan provided as part of Lloyds Bank's Clean Growth Financing Initiative.

The funding has also enabled them to cut emissions by removing road miles from transporting eggs to and from the previous packing site, as well as reducing operating costs.



"As more people are cooking and baking at home during lockdown, demand for eggs has rocketed. We pride ourselves on being part of the community and wanted to adapt our processes to offer a door-to-door delivery service for local residents during this difficult time."

James Lyall
Director, Mayfield Eggs

Our apprenticeship strategy

Lloyds Banking Group continues to promote the importance of bringing new skills into industry and support apprenticeships by launching a new apprentice support service in conjunction with the Advanced Manufacturing Training Centre (AMTC) for manufacturing companies across England.

Established in 2015, the Lloyds Bank AMTC is a state-of-the-art training centre designed to create a new generation of engineers and technicians to help the UK realise its potential in advanced manufacturing. The Lloyds Bank AMTC connects apprenticeships with high-calibre manufacturing and engineering employers who are looking to employ the best talent in the industry. During 2020, the Group has continued with its long-term investment of £10 million over 10 years in the AMTC, which is on track to support the training and upskilling of around 3,500 apprentices, graduates and engineers by the of 2024. Through our annual investment in the AMTC, based in the Midlands, we have trained 1,211 manufacturing apprentices, graduates and engineers in manufacturing since 2018.

The 2019 apprenticeship enrolments saw that over 41 per cent of external apprentices were from the UK's most disadvantaged areas, and we saw an increase in intake of 47 per cent in 2020 in higher apprenticeship enrolment.

Lloyds Bank Group and AMTC apprenticeships have teamed up to create a new partnership to deliver fully funded high-value engineering apprenticeships to SMEs in Coventry, Warwickshire and the surrounding areas. The Group has agreed £9 million of support over three years to help SMEs to invest in apprenticeships through our Levy Transfer initiative. By sharing our apprenticeship levy we have already committed over £5.4 million of this funding, helping 230 businesses and 450 apprentices with the costs of training and development of critical STEM and digital skills in London, West Midlands and Greater Manchester, contributing towards the UK's recovery.

► **Our environmental and social performance:** Progress in 2020

► Supporting Businesses and SMEs

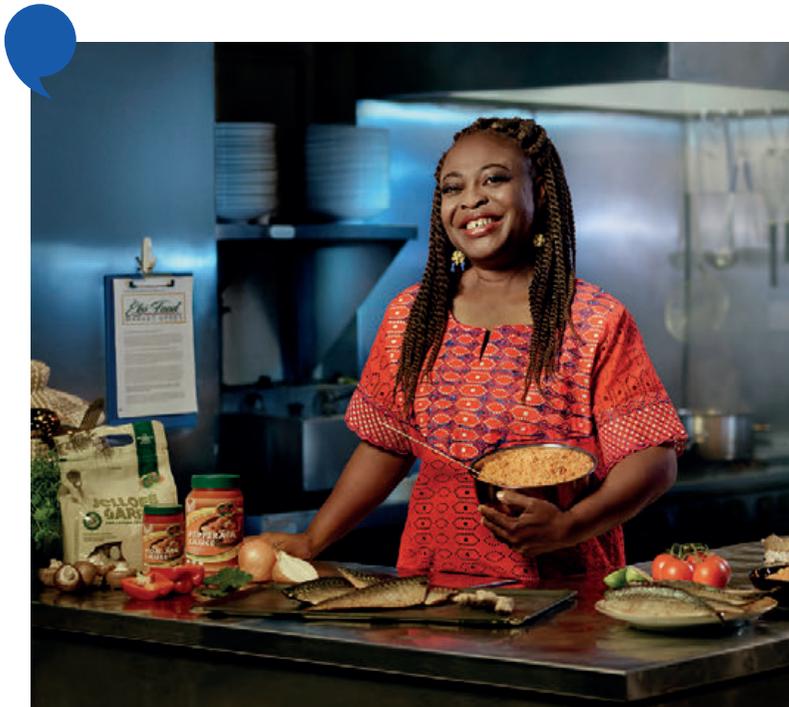
Strategic partnerships

We continue to support our strategic partner Be the Business, with their ambition to support 1 million UK small businesses through our annual contribution and a joint activity plan where we offer mentors training, research and tools to help businesses to increase their productivity and to recover and rebuild through the challenges of the pandemic.

We are ambitious about championing and leading on gender equality for small businesses, aiming to help female-entrepreneurs unlock their potential and promote a strong pipeline of female led businesses for the future. In 2020, we have partnered with Google Digital Garage, working with our existing partner, Be the Business, to deliver a number of free events across the country. This is in response to the Government's recent announcement to increase the number of female entrepreneurs by 50 per cent by 2030, equivalent to nearly 600,000 additional female entrepreneurs.

Our partnership with Foundervine will provide educational and practical programmes to help Black entrepreneurs, and our partnership with the Black Business Network will help us to build a strong, engaged and highly visible audience of Black entrepreneurs through sponsoring events such as Black Investor 360 in 2020 and 2021.

In 2021, our Black Business Advisory Committee will develop recommendations on addressing barriers to growth for the Black business community.



Eko Food brings a 'taste of Africa' to the garden of England

Eko Food Market has put its investment plan of recently acquired premises in Kent back on track thanks to a Coronavirus Business Interruption Loan from Lloyds Bank.

Known as the 'Harrods' of African food, Eko Food Market is a UK leading manufacturer and supplier of deliciously authentic and high-quality chilled and frozen ethnic ready meals, ambient sauces and African dry foods.

Lloyds Bank provided a loan under the Coronavirus Business Interruption Loan Scheme (CBILS), helping the business continue to capitalise on the growing demand for high-quality African food, something previous market research had uncovered.

Customers now range from shops, hotels and schools, to private customers with a well-established link to the UK African community. From tasting sessions, cooking demonstrations, weddings, parties and banquets to even having their own TV show, the move to Kent will continue to enhance their international reputation for high-quality food products and services.

"From previously providing the finance for our delivery vans to the latest COVID-19 support, we're now able to carry on with our expansion plans and operate from a much bigger and more efficient fit-for-purpose premises, bringing a taste of Africa to more of the UK."

Christine Adeosun
Owner, Eko Food

"It's great to see such a passionate business being able to return to doing what they do best. With our help, they're able to not only mitigate the adverse impact of COVID-19, but return to the manufacturing and servicing of their customers as well as re-open retail outlets and serve their local school communities.

We continue to work closely with business customers of all shapes and sizes and across sectors to help guide them through the ongoing challenge the UK economy faces."

Alex Fernando
Manufacturing, Consumer & Leisure Sectors, Lloyds Bank

► **Our environmental and social performance:** Progress in 2020

► **Helping Britain get a home**

Helping Britain get a home

E S G

Highlights

- We've delivered close to £9 billion of finance for the social housing sector since 2018
- 1,900 new homes were built through the Housing Growth Partnership (HGP) by SMEs through our support
- We have loaned over £39.7 billion to first-time home buyers since 2018

Delivering affordable homes for everyone

As the largest lender to the UK housing sector, we are committed to supporting home ownership across the UK and we're working to make it an affordable reality for millions of people. Achieving our objective of helping Britain get a home also requires support for homebuilders and social housing alongside individual customers.

We recognise that a lack of affordable housing can be a potential barrier to tackling social disadvantage. We have worked with over 200 housing associations across all nations and regions of the UK, and in 2020 we have provided more than £2.5 billion of new funding for the social housing sector and close to £9 billion since 2018.

We support UK housebuilders, large and small, helping them buy land and build new homes every day. We also support their supply chain and their consumers, being the UK's leading mortgage provider to the new build market.

The housebuilding sector is important to the Group and we provide backing for initiatives such as HGP, which provides financial support and mentoring to small and mid-sized housebuilders. Over 2,000 HGP-supported homes have been built across the UK to date with a total pipeline of almost 4,000 homes.

We recognise the importance of buying a home in customers' lives and we are making that process as simple and easy as possible, however people choose to engage with us. This year we lent over £13 billion to first-time buyers, and across the last three years have lent over £39.7 billion; this outcome is significantly above our £30 billion commitment.

In a challenging market environment, we have supported customers complete on their home purchases with product extensions, which include providing a 12-month completion window for our new build range given longer construction time linked to COVID-19 secure working practices. We have increased the ways in which we support first-time buyers in accessing the property market by welcoming applications from the new Scottish First Homes Fund, making it easier for those with little or no savings to buy their first home.



Genesis Homes

Genesis Homes is a Penrith-based housebuilder, established only four years ago to deliver quality family homes across Cumbria, with the vision of becoming the leading housebuilder in the region.

Since 2018, HGP has provided Genesis with equity commitments of £6.7 million across 6 development schemes, totalling 222 units, helping Genesis grow from delivering 10 units in its first full financial year (to April 2018) to 75 units, and revenue in excess of £20 million in 2020.

Despite the challenges in the funding market arising from COVID-19, HGP has continued to support Genesis with new investment schemes in 2020, enabling the company to roll out the

development pipeline critical to the business's aspirations. Plans for more equity support from HGP mean that Genesis can be confident in its aim of delivering more than 100 family homes every year from 2022 onwards.

From a standing start, Genesis Homes has grown to employ a great team of over 30 people who play an important role in the local community; among other local initiatives, Genesis has teamed up with Carlisle College to set up an apprenticeship programme to support young people in the community to enter the housebuilding sector while supporting them through their qualifications.

"HGP has enabled us to achieve the immediate growth that we knew our business was capable of and that our region needed with an SME housebuilder to compete in a market dominated by just a few national housebuilders. HGP has been a true 'partner' in every sense of the word, supporting us in the nurturing of our business plan, providing mentoring and support when required, and opening doors to other stakeholders to assist in the business progression. We are looking forward to a long and sustained partnership as we continue to now evolve our business plan into a regional offering with scope for further growth."

Nicky Gordon
Managing Director at Genesis Homes

► Our environmental and social performance: Progress in 2020

► Helping Britain get a home



Abel Homes

Norfolk-based independent housebuilder Abel Homes is seeing a renewed surge in demand for its properties following the support of a £3 million green funding package from Lloyds Bank.

Located in Watton, family-owned Abel Homes has been building new-build properties across the county for more than 30 years. The seven-figure residential development loan from Lloyds Bank was made via its Clean Growth Finance Initiative, which provides discounted funding to help businesses transition to a lower-carbon, more sustainable future. It means Abel Homes, already the only medium-sized Norfolk developer building to A-rating EPC standard, can build even more energy-efficient properties.

Following the disruption caused by the coronavirus pandemic, Abel Homes has already benefited from the East Anglian housing market rebounding. Overall, enquiries for the firm's properties are currently up by around a third compared with pre-lockdown times.

Paul LeGrice, Managing Director at Abel Homes, believes greater working flexibility is drawing people from big cities to the Norfolk countryside.

"We're pleasantly surprised with how quickly the market has returned to pre-COVID-19 levels. As a result of lockdown and working from home becoming more feasible, we've definitely seen a behavioural shift among buyers.

People have been spending more time than ever at home, so space and access to the great outdoors are even higher on their priority lists."

Paul LeGrice

Abel Homes has been a customer of Lloyds Bank since 2011 when it was building 30 homes a year. Lloyds Bank's support, which has also included asset finance on tools and vehicles, has enabled the business to grow significantly, now building in excess of 100 homes a year and growing its annual turnover to £25 million.

"Having the backing of Lloyds Bank and a relationship manager who understands the market has made all the difference. Across many industries, there's an increasing focus on sustainability, and property is no different. Lloyds Bank has encouraged our efforts to operate more sustainably and, with its ongoing support, we are looking to continue to grow our business with a real focus on sustainable energy-efficient new homes."

Paul LeGrice

► **Our environmental and social performance:** Progress in 2020

► **Building financial resilience**

Building financial resilience

E S G

Highlights

- ➔ We have facilitated digital training for 1.8 million people since 2018 to assist in narrowing the digital skills gap
- ➔ We have facilitated the delivery of over 12,500 devices and through our We Are Digital Helpline and DevicesDotNow campaign, have assisted over 8,000 people to learn digital skills to be able to access online services and connect virtually with family and friends
- ➔ We established a Domestic and Economic Abuse Team, conducted training for our colleagues on how to support customers facing these circumstances through strategic partnerships, and supported charities assisting victims

At Lloyds Banking Group, we have an ongoing commitment to improving the financial wellbeing for customers, colleagues and communities through the work we do.

Access to financial services and their effective use play a central role in individuals', households' and society's wellbeing.

Financial inclusion is a state where everyone is able to access the products and services they need to manage their money effectively and to have the necessary awareness and understanding to use them appropriately.

The digital skills gap

UK productivity is reliant on a healthy digital economy; we know that digital skills enable businesses to trade overseas, streamline operations and attract and grow their online consumer base. It also helps individuals find employment, re-train and upskill in roles they currently have. Importantly it also helps them keep connected, particularly when locked down.

The 2020 Lloyds Bank Consumer Digital Index showed that 9 million UK adults struggle to use the internet and their devices by themselves. An estimated 22 per cent of people in the UK are without the digital skills needed for everyday life and 7 per cent of the UK are still completely offline. Based on this trend it is estimated that by 2030 one-quarter of the UK will still have a very low level of digital engagement.

Our 2020 Consumer Digital Index shows a new ambition for doing more online, with COVID-19 shining a light on necessity for digital access and skills.

Our 2020 Transformation with Tech Report showed nearly half of small businesses stated they would have ceased trading without digital technology. Encouragingly one-quarter of small businesses now have an online presence for the first time.

The digital skills thought leadership launches attracted ministerial, policy-maker and regulator attendance, and are now shaping the 2021 UK Governmental Digital Strategy. The Group has 20,000 registered Digital Champions, providing help and support to their communities.

Lloyds Bank Academy

To facilitate the shift to a more digital economy, Lloyds Banking Group has developed the Lloyds Bank Academy. The Academy teaches essential digital and workplace skills through online and face-to-face courses, aiming to provide support where, when and how people need it. During 2020, these courses shifted to online webinars due to lockdown restrictions.

 Lloyds Banking Group has facilitated digital training for 1.8 million people through the Lloyds Bank Academy, client onboarding and community propositions since 2018. The Academy curriculum continues to expand having a breadth of content and partners, including large corporates, charities, credit unions and job seekers.

FutureDotNow

Lloyds Banking Group is a founding organisation of FutureDotNow, a coalition of leading companies in the UK dedicated to accelerating the UK's digital skills at scale, with a focus on the employees and customers of large organisations. As lockdown started to impact communities in the UK, Lloyds Banking Group was heavily involved with the DevicesDotNow emergency campaign, helping with the call to industry for devices, data and support for people who were shielding. The campaign raised over £1.5 million and funding was secured to deliver over 11,500 devices, data and support to customers.

SASB indicator:
FN-CB-240a.4

Additional information

- ➔ Lloyds Bank Consumer Digital Index
- ➔ 2020 Transformation with Tech Report
- ➔ Lloyds Bank Academy



► Our environmental and social performance: Progress in 2020

► Building financial resilience



We Are Digital Helpline

In April 2020, in response to the COVID-19 pandemic, Lloyds Banking Group delivered a new dedicated phone line which provides guidance and remote training to customers less able to see us in branch to help them stay connected with everyday digital activities including online banking. Customers were contacted and able to access free and practical support to help them connect online at a time when gaining digital skills helped people stay connected to their finances. With guidance from We Are Digital's agents, users learn skills to help with everyday digital tasks such as online shopping, booking a doctor's appointment using the NHS website, and connecting virtually with family and friends, as well as internet banking. The service provides not just remote help via a telephone but also provided customers and charities in need with basic tablet devices.

- Impact of the We Are Digital Helpline:
- 8,000 people helped, of which 1,000 were people referred by our charity partners
 - Over 1,000 devices provided to people
 - 95 per cent of users said they would recommend the service to others

► **Our environmental and social performance:** Progress in 2020

► **Building financial resilience**

Domestic and economic abuse

In January 2021, the Government published a report on the role of employers in tackling domestic abuse. Lloyds Banking Group was named a ‘best practice employer’.

As a Group, we’re here to support our customers and colleagues through difficult times. That’s why we’ve launched our Domestic and Economic Abuse Team to support victims and survivors of financial abuse, offering support to help them regain control of their finances. The introduction of the Domestic and Economic Abuse Team to help victims of financial and economic abuse is an important next step in both raising awareness and supporting our customers. We believe it is essential that customers know that they can speak to us and we have a specialist team that can support their personal situation. The service provides financial guidance as well as directing customers to specialist charities for emotional and practical support. The service provides assistance to customers on various financial issues including how to manage joint accounts, options for opening new accounts, and advice on dealing with debts such as loans or mortgages.

Through the year the UK has seen an increase in reports of economic and domestic abuse. We are proud of the support we have made available to victims and survivors. Our engagement with the charity Surviving Economic Abuse has been critical to achieving this and working with them, we have developed an ability to support victims in separating financial affairs quickly and, where appropriate, to offer forbearance from debt incurred as a result of coercion.

“Surviving Economic Abuse is proud to support Lloyds Banking Group in delivering an informed and high-quality service to customers who may be experiencing economic abuse. Financial services have a crucial role to play in tackling economic abuse and this is a brilliant example of the work being rolled out across the industry. It’s fantastic to be working with Tender on training Lloyds Banking Group staff on how to better recognise the specific challenges victim-survivors face. This will encourage them to come forward and be supported to achieve the economic stability that they need.”

Dr Nicola Sharp-Jeffs OBE
Director of Surviving Economic Abuse

Highlighting the issues

We have developed and launched a suite of advanced guidance taking colleagues on a journey to remove any biased thinking, reflect on the nature of healthy relationships, and consider their reaction to disclosure of abuse.

It aims to increase colleague awareness and understanding of the nature and impact of abuse to help them support customers and colleagues who are impacted to regain control of their finances and access additional help from appropriate third parties. This training will now form part of an ongoing programme which will be delivered across all customer-facing colleagues.

Working with charities

We have partnered and worked continuously with SafeLives, Surviving Economic Abuse and Tender to provide the right support at the right time, and have actively brought their insight and expertise into several internally run Group-wide seminars. Through these partnerships, we have trained our colleagues to support customers experiencing domestic and economic abuse, and have engaged with a number of local charities to refer victims and survivors into our Domestic and Economic Abuse Team for support with their finances.

The Lloyds Bank Foundation for England and Wales supports approximately 100 charities helping people affected by domestic abuse across England and Wales. Through these charities, we know that many victims and survivors face huge challenges when it comes to accessing

and separating finances. That’s why it’s vital to bring these charities, who have invaluable insight, together with Lloyds Banking Group to explore how services can be improved.

During 2020, we launched an Emergency Assistance Programme covering the cost of emergency accommodation and one-to-one support. This is available to all Lloyds Banking Group colleagues and their children, at no cost to them. During this emergency stay, the colleague can receive additional support from our Employee Assistance Programme which will help them through their next steps and provide support as we want our colleagues to never feel alone. We will also offer to change their work mobile number to prevent the perpetrator from contacting them.

Financial capability

Supporting our communities through our colleague volunteering enables our colleagues to connect across the UK to help children and young adults understand the value of money and manage their money day to day as they transition to financial independence.

As highlighted by the recent independent report for the UK Strategy for Financial Wellbeing, the pandemic is amplifying the need for financial wellbeing across the UK. Over the past year our financial capability and education reach have increased through the following main areas in order to maintain a more sustainable proposition.

- ➔ Virtual guides have been developed enabling colleagues to deliver financial capability content across the UK including in deprived areas

- ➔ In order to support our communities and to Help Britain Recover from the ongoing pandemic, content is also available to everyone via our Lloyds Bank Academy

- ➔ We have worked with Young Enterprise to ensure that learning outcomes are in line with recommendations from the Money and Pensions Service. Providing a curriculum that is relevant for a digital society and is quality marked gives educators confidence that the financial education material is of the highest quality

- ➔ Content has been designed inclusively to reach the most vulnerable in society, providing equal access to quality education for all. This enables charities such as the National Deaf Children’s Society within the communities to build our content into their youth programmes

- ➔ Employers can also use the content to build into their apprenticeship and graduate enrichment programmes

- ➔ Our material is available for all our colleagues to support their own families, friends and communities

Access to banking

Lloyds Banking Group is committed to supporting access to mainstream banking for those who may be excluded, often due to the lack of availability of standard identification documents, such as those who have been experiencing homelessness, victims of modern slavery, those fleeing domestic abuse or ex-offenders. We have worked with a number of local charities to ensure accounts can be opened for people across the UK by developing flexible processes. The benefit for such customers can be transformational.

► **Our environmental and social performance:** Progress in 2020

► **Building financial resilience**



Making our financial capability material accessible

The UN Sustainable Development Goals encourage inclusive, quality education for all, ensuring equal access, including for people with disabilities. That is why, throughout the development of our financial capability material, we have liaised with agencies like the Digital Accessibility Centre, the National Deaf Children’s Society (NDCS) and teachers of the blind and deaf.

All our materials have been developed with multiple lenses including for those with disabilities and considering a range of learning needs.

This accessibility and inclusivity is vital as we know that only 29 per cent of young people who are deaf or blind manage their own finances. If charities like the NDCS can use our material to empower more young people to manage their money, that is a huge plus.

“It’s great to see Lloyds Banking Group make their innovative new financial literacy tool accessible for the deaf children and young people in the UK. It’s so important that projects like this are designed to be as inclusive as possible, that includes incorporating captions, sign language and adjustable background noise that can be adapted based on deaf young people’s individual preferences and levels of deafness.

When companies create new tools in this way, organisations such as ours can incorporate the material easily to benefit the deaf children and young people who we support through our programmes within the UK.”

Mark Bolton
Deputy Director at the National Deaf Children’s Society

Helping people save for the future

We recognise the importance of savings to build financial resilience and to help tackle disadvantage. We want to make saving for the future as easy as possible and we continue to improve choice, flexibility and control for customers who are investing, saving or planning for retirement. The Group have had a £45.6 billion growth in open book assets¹ that we hold on behalf of customers in retirement and investment products since 2018.



Providing access to banking services

A new customer visited the branch, accompanied by a Crisis support worker, to open a new bank account. The customer had been homeless and needed an account to enable him to receive benefits which had previously been paid into a friend’s account, and he was struggling to get access to his money. The customer had often been unable to buy food for days. He had recently found new accommodation with the help of Crisis and would use his new account to pay household bills.

We were able to open a basic bank account allowing this customer to normalise his finances and achieve financial independence. Additionally, he was able to commence the process of putting money aside for future emergencies.

1. Growth in assets under administration on our front books

► **Our environmental and social performance:** Progress in 2020

► **Supporting our communities**

Supporting our communities

E S G

Highlights

- ➔ More than £51.2 million was provided for community investment in 2020
- ➔ £25.5 million was donated to support our four independent charitable foundations in 2020
- ➔ 2,787 charities were supported in 2020



Our foundations

As one of the UK's largest corporate donors, we use our scale to reach millions of people and help tackle social disadvantage in communities across the UK, donating £25.5 million to our four independent charitable Foundations in 2020.

Our Foundations are fundamental to our vision of tackling social disadvantage. Spanning across the past 35 years, our Foundations have been providing essential funding and support to charities across the UK and Channel Islands, helping communities overcome complex social issues and rebuild lives.

In response to the increasing financial challenges that charities were facing due to COVID-19, the Foundations distributed emergency funding to charities across the UK and the Channel Islands in 2020, enabling them to provide their service in new and innovative ways, or plan for recovery and rebuild. This included the launch of a COVID Recovery Fund by the Lloyds Bank Foundation for England and Wales, which assists charities with a two-year unrestricted grant of £50,000 and dedicated organisational development support. Through this programme, the Foundation has awarded a total of £7.5 million to approximately 150 charities. Twenty-five per cent of this fund was set aside for Black, Asian and Ethnic Minority led organisations.

The Group's commitment to maintain its £25.5 million donation to our Foundations in 2021 will help secure a more certain future for charities and safeguard their important societal contribution.

The Group has offered further practical support in 2020 through engaging 324 Foundation supported charities through our Digital Helpline (see page 51 We Are Digital) and Charity Response Forum (see page 55) – with 500 Group colleagues from across the country volunteering their time to work with 85 charities. We've also supported Foundation staff by extending our colleague offer of free access to the Headspace app in addition to our own employees, to support the mental health of their staff.

In 2020, our total community investment was £51.2 million, which includes our colleagues' time, direct donations and in-kind giving.

Lloyds Scholars

Our award-winning social mobility programme Lloyds Scholars, established in 2011, has to date recruited more than 1,000 students from low-income households across our nine partner universities. Students benefit from financial support by means of an annual bursary to help with living costs, and employability skills gained through 10-week internships with Lloyds Banking Group. Employability and access to volunteering opportunities benefit local communities and provide a skills boost to the students' future recruitment. As a result of the pandemic, Lloyds Banking Group unprecedentedly had to suspend internships. Financial support was provided to those affected and the recruitment of our 2020/21 cohort has been postponed.

School for Social Entrepreneurs

We retained our nine-year partnership with School for Social Entrepreneurs, which provides grants and training for social entrepreneurs and charity leaders tackling urgent social and environmental issues. Since the start of the partnership we have helped over 2,300 social entrepreneurs to start up or grow their businesses, which has collectively created more than 14,000 volunteering opportunities, over 4,000 jobs and positively impacted the lives of over 760,000 beneficiaries. In response to the pandemic, delivery moved online, allowing social entrepreneurs to access virtual support in challenging times. In 2020, a new cohort was recruited with 'Trade Back' grants that incentivise social entrepreneurs to trade, while supporting them to recover and rebuild.



Social entrepreneurship success

Social enterprise Sahan Cares CIC was awarded the Third Sector Award for Enterprise in October 2020 as a result of significantly improving income from its commercial activities in recent years. Sahan Cares provides in-home care, advice, training and support to disadvantaged families dealing with poverty, disability and lack of social integration.

Since 2013, Sahan Cares has delivered more than 500,000 hours of care. Revenues have grown from £30,000 in its first year to more than £1.5 million last year. Over 120 jobs have been created locally and 150 people have been trained as specialised carers. Clients rate the company and its services very highly and 100 per cent of service users say that Sahan Cares staff are considerate, warm, welcoming and informative and made them feel safe at home.

Additional links



- ➔ [Lloyds Banking Group Foundations](#)
- ➔ [Lloyds Banking Group Mental Health UK Partnership](#)
- ➔ [Mental Health UK – Bloom](#)
- ➔ [School for Social Entrepreneurs](#)
- ➔ [Colleague Volunteering](#)
- ➔ [Lloyds Scholars Programme](#)

► **Our environmental and social performance:** Progress in 2020

► Supporting our communities

Charity partnership – Mental Health UK

During the fourth year of our Mental Health UK partnership, £2.3 million has been raised in 2020 with £13 million raised overall by colleagues and customers over four years. In-person fundraising was challenging in 2020 and as a result more creative activities such as virtual walking and cycling challenges and quizzes took place.

Delivered in schools and colleges, BLOOM equips young people with the tools and knowledge to maintain their mental health through life’s transitions, both now and in the future.

A resource library was launched in 2020 to support parents in parent-to-parent conversations on mental health and resilience of young people, a key issue in 2020.

The expansion of the Mental Health and Money Advice service was implemented to support the growing need for the service due to the pandemic, and Mental Health UK’s CLIC platform – an online service providing peer-to-peer support for people living with mental health difficulties – was also expanded.

Virtual volunteering has seen colleagues support charities through engaging with those isolated and supporting the Mental Health UK CLIC platform as facilitators.



“Having received the appropriate training from Bloom UK, the school decided that this programme would be ideal for us to use with our pupils as part of their recovery curriculum. The targeted lessons on resilience, friendships, examination stress, making decisions, social pressures, juggling time and managing studies, align with the school’s pastoral themes, seek to give our pupils the additional support which they need, and help them to reintegrate back to school following the extended period of absence.”

Teacher on the impact of Bloom
Belfast Royal Academy

Colleague virtual volunteering

One of the major successes of virtual volunteering has been realised in our charity response forums, where colleagues have supported charities who are grant recipients from our independent Foundations. Since May 2020, over 500 Group colleagues from across the country have volunteered their time to work with 85 charities who needed urgent help with crisis recovery, financial management, governance, managing teams, communications and digital skills among other areas. The forums are enabling colleagues to have a direct impact on the charity and their beneficiaries, helping to make a real difference.



Partnering with the Woodland Trust

We’re working in partnership with the Woodland Trust to plant 10 million trees over the next decade. These trees will help to reduce the impact of climate change, potentially absorbing 2.5 million tonnes of carbon dioxide.

Our partnership has three parts:

New woods

We will be creating 10 brand new ‘woods within woods’ at existing Woodland Trust sites across the UK.

Working with communities

We are supporting the Woodland Trust with their Community Tree Pack scheme over the next three years, allowing us to plant 500,000 trees.

Supporting farmers’ low-carbon future

We are also helping farmers and landowners transition to a low-carbon future by offering preferential funding for individual investments of more than 0.5ha of new woodland.

This partnership is part of our overall investment in creating a cleaner, greener UK – financing a green future together.

► **Our environmental and social performance:** Progress in 2020

► **Supporting our communities**



Trinity Winchester

Trinity Winchester is a charity funded by the Lloyds Bank Foundation for England and Wales which helps to address the effects of homelessness and vulnerability, as well as provide proactive prevention and empower positive change. They provide vital practical and emotional support to over 650 people each year who are vulnerable to the effects of homelessness, addiction, physical and mental ill health, poverty, social isolation and domestic abuse.

Trinity Winchester, like many other charities, has faced a number of challenges since the COVID-19 outbreak and engaged with the Group's charity response forums for assistance.

Lloyds colleagues from various divisions within the Bank took part in the forum with Trinity Winchester and brainstormed a range of different issues. Sue McKenna, CEO of the charity, provided some insight as to what she thought about the support from Lloyds Banking Group colleague volunteers:

"Sue said she went into the forum with no expectations, but thought if someone was reaching out with ideas, or giving reassurance, it could only be a good thing. The forum allowed her to have an in-depth discussion about the role of volunteers, and brainstorm how best the charity could use them. As a result of the conversations with Lloyds Banking Group staff, volunteer engagement and communication have now become a priority, as well as how to deploy charity volunteers in a more creative way. The forum also focused on Christmas fundraising and how Trinity could still make it happen despite the challenges they faced. Sue said the expertise of the volunteers ultimately gave the charity much more confidence for the future."

Sue McKenna
Trinity Winchester CEO



► **Our environmental and social performance:** Progress in 2020

► **Supporting our colleagues**

Supporting our colleagues

E S G

Highlights

- ➔ Health and safety of our colleagues and customers was a key COVID-19 response focus, ensuring our offices and branches were compliant with regulations, safe and able to remain open
- ➔ Over 50,000 colleagues were supported in converting to a working from home arrangement with technology, equipment and IT assistance
- ➔ Free access was provided for all colleagues to the Headspace app, and we have continued to train colleagues to become mental health advocates
- ➔ Our colleague engagement surveys indicated overall that colleagues felt supported, that the company culture was more positive and caring, and that there is an interest by colleagues to explore changing ways of working in the future
- ➔ 4.1 million hours of training were delivered to colleagues primarily via virtual training delivery

Workforce matters are a fundamental part of our Group strategy and the Board receives regular updates on priorities and progress.

Key elements of our people strategy are tracked, and the group completes a strategic workforce plan, which is refreshed on an annual basis.

Providing a safe work environment

A key challenge for the Group in 2020 was to ensure that the physical infrastructure of the Group remained open for customers and the Group could continue to support its approximately 30 million customers, either through one of more than 1,600 branches, more than 100 offices and data centres, or from home.

The Group needed to provide rapid solutions and support to meet the evolving needs of our workforce and customers while at all times ensuring that we operate in line with Government and health authority guidance.

Business changes were implemented to manage the pandemic from early 2020 and the Group has reviewed every iteration of the UK Government's advice. By the end of 2020, the Group had coordinated over 3,000 risk assessments across our operations to ensure all offices and branches are compliant with legislation, and safe for our colleagues and customers.

Key actions taken during 2020 to ensure ongoing operation of our facilities included:

- ➔ Keeping all in-use premises safe for all employees and customers, moving chairs, desks and IT equipment to enable social distancing, with posters and floor markers to guide people
- ➔ Launching a comprehensive hygiene regime delivering over 278,000 enhanced branch cleans and just over 16,500 enhanced office cleans by the end of 2020
- ➔ Hibernating 16 buildings while maintaining them for re-occupation as soon as needed
- ➔ Launching a delivery service of workstation equipment for 35,000 colleagues to enable working from home
- ➔ Set up of five personal protective equipment distribution hubs across the UK, distributing over 64,000 litres of hand sanitiser, over 6 million disposable masks, 153,000 fabric masks, 20,000 visors and 9.1 million antibacterial wipes

Lloyds Banking Group jointly won an Institute of Workplace and Facilities Management Impact Award for our COVID-19 response together with our facilities management partner, Mitie.

Agile working

Lloyds Banking Group colleagues have provided support for each other and their customers. Changing customer demands, changing colleague needs and expectations, a fluctuating and less stable business environment, and significant economic issues have led the Group to consider how to reimagine the way we work.

Through this unique opportunity, Lloyds Banking Group is transforming the way we work and identifying a new normal by envisaging the optimal workforce and the right attributes needed from our workspaces to deliver success. This is also providing a significant opportunity to re-think more sustainable and environmentally friendly ways of working.

Flexible working was largely positioned as a colleague benefit, part of the employee value proposition. Agile working provides the Group with a way to meet our strategic business goals whilst enabling colleagues to balance home and work effectively.

Prior to the pandemic, the Group had approximately 35 per cent of our colleagues with an existing agile working arrangement. In 2020, where we all worked changed significantly with over 50,000 colleagues continuing to work from home. During 2021, the Group will continue to re-imagine work and use Behavioural Experiments to test our thinking.



Meeting changing customer demand

The impact of COVID-19 has seen some customers who would usually have banked in branches switch to using our online, secure messaging and telephony services instead. In order to provide customers with the best possible service, we have retrained and redeployed colleagues from the branch network to support other service channels that were experiencing higher than normal levels of customer demand.

This agility has allowed us to maintain critical areas of our COVID-19 customer support such as business lending, mortgage lending, customers who have suffered bereavement and maintaining resourcing for critical support services such as our NHS and over-70s telephone support.

► **Our environmental and social performance:** Progress in 2020

► **Health and wellbeing**

Health and wellbeing

Lloyds Banking Group is committed to supporting the health and wellbeing of all colleagues and offers a range of easily accessible support services for colleagues to use themselves or by their family. Our approach to wellbeing is to deliver support in four pillars of wellbeing and in 2020 we developed a new hub to help colleagues access the support they need, alongside increasing the presence of wellbeing in our internal communications. The four pillars of our wellbeing programmes are as follows:

Healthy Minds

- ➔ Your Resilience
- ➔ Colleague mental health
- ➔ Headspace
- ➔ Mental health advocates
- ➔ Employee assistance programme – counselling support
- ➔ Occupational health services

Healthy Bodies

- ➔ Bupa
- ➔ Office equipment support
- ➔ Workplace adjustments at home
- ➔ Future of Work experiments
- ➔ Occupational health services

Healthy Finances

- ➔ M-word chats pilot
- ➔ Financial health programmes and communications
- ➔ Employee assistance programme – debt and financial wellbeing support

Healthy Relationships

- ➔ My Family Care
- ➔ Group emergency assistance
- ➔ Employee assistance programme – Your Coaching and Support
- ➔ Line manager support during COVID-19

Colleague mental health

Lloyds Banking Group has the ambition to shift mindsets to recognise the importance of mental health. By raising awareness of mental health and taking action, the Group is breaking down the stigma associated with mental health conditions, and helping our colleagues to feel equipped to support customers and each other. To facilitate this, we have introduced several wellbeing initiatives and solutions to help support both our colleagues and customers.

Operational leadership resilience programme

Maintaining personal resilience and focusing on your wellbeing are incredibly important at all times but particularly now given the current challenges of the COVID-19 pandemic. This programme uses strategies and resilience tools to address key psychological factors which

underpin peak leadership performance and help you focus on what you can control. The programme complements our broader health and wellbeing offerings such as Emerging Stronger and Your Resilience, supporting you to be your best and thrive both inside and outside the workplace.

The OLRP is delivered by The Insight Network, a team of highly skilled psychologists and clinicians.

We have also extended our partnership with Headspace, offering all colleagues a free subscription to the market-leading meditation app, providing access to mindfulness modules covering a range of topics from stress to self-esteem. These initiatives continue to help us to change our culture around mental health, and empower our colleagues to openly talk about, and take ownership for their own wellbeing and take action to support it. We have had 13,000 registrations on the Headspace app with 9,000 since extending the service in May 2020 and 27 per cent of our colleagues using it monthly.

We have continued to further support this culture change through growing our Mental Health Advocate programme, which now consists of over 1,800 colleague volunteers who support colleagues and enable them to talk about mental health and signpost to any professional support they require.

Our employee assistance programme

The employee assistance programme is run by Validium and provides colleagues with free confidential support and advice on a range of issues from health and wellbeing related issues to financial issues. The programme covers spouses or partners living at the same address as the colleague, and children aged 16–23 in full-time education. It is available 24 hours a day, 365 days a year, via Freephone as well as online from work or home.

My family care

Lloyds Banking Group has partnered with My Family Care of Bright Horizons, offering a range of resources and family-friendly benefits to help support employees manage their caring responsibilities. The Work + Family space (online resource) provides information, services and support with elder and childcare concerns and resources designed to guide and support employees.

Bupa

Colleagues are offered the opportunity to purchase private medical cover provided by Bupa which gives access to good-quality medical care, including accommodation, nursing care and specialist advice. Cover is also available for family members by purchasing additional benefits through Flex, an important element of the reward package, enabling colleagues to select benefits that suit them or a cash equivalent.

Your Resilience

The Group has partnered with Helix Resilience to provide colleagues with a free and confidential online space where they can feel empowered to take positive steps to improve and maintain wellbeing and resilience both inside and outside the workplace. An anonymous account can be accessed on all work or personal devices and provides a self-service approach to education and personal learning journeys. Over 13,800 colleagues have registered for Your Resilience since October 2019. Through our partnership with Helix we continue to provide support with expert-led webinars, monthly newsletters to registered users, and develop and deliver content to respond to the impacts of the pandemic and to support the Group's health and wellbeing priorities.

Group emergency assistance

At Lloyds Banking Group, we believe employers have a very real role to play in supporting victims and survivors of domestic and economic abuse, raising awareness and acknowledging and responding to the issue. Work can be a safe space. And yet, only 5 per cent of employers currently have a policy on domestic abuse.

In 2020 we launched an Emergency Assistance Programme for colleagues, covering the cost of accommodation, food and one-to-one support for colleagues and their children in an emergency situation.

► **Our environmental and social performance:** Progress in 2020

We recognise we are not experts on this issue so we work with specialist charities including Surviving Economic Abuse, Tender and Safe Lives, as well as the Lloyds Bank Foundation for England and Wales, to help us develop our strategy, support tools and resources for colleagues.

We run communication campaigns with colleagues to raise awareness, host webinars with charities to answer colleagues' questions on the topic, have launched training for all colleagues to help them spot the signs and have rolled out 15,000 posters on the backs of toilet doors in all our head offices and branches to signpost support, including the Bright Sky app.

In January 2021, the Government recognised Lloyds Banking Group as a best practice employer in their report on support for domestic abuse survivors in the workplace.

Performance management – your best

Your Best has seen over 250,000 hours of training rolled out to 65,000 colleagues, over a 12-month phased approach during 2019. The focus in 2020 has been on embedding the Your Best approach, which focuses on continual coaching and two-way colleague conversations and adapting performance management to the impact of the pandemic.

► **Health and wellbeing**

As part of the adaptation of the programme to the current environment, COVID-specific support content was created to assist managers in supporting their teams. The Group noted a 36 per cent increase in virtual leadership training completed, as Your Best effectively continues to deliver wide-scale training virtually.

The programme has been shortlisted for 21 external awards and has won nine external awards including the Best Large Organisation for Culture in the Business Culture Awards, the Learning and Development award from Investors in People and the Best Change Management Initiative from the Personnel Today Awards.

Colleague learning and development

To ensure colleague safety during the pandemic, face-to-face learning was halted, with colleagues redirected to meet their immediate learning needs using virtual offerings provided by our internal curriculum and external learning content providers.

Focusing on enhancing our leadership development proposition, we launched our new Leadership and Management Hub.

Despite these circumstances, we exceeded our publicly stated target of 4.4 million cumulative training hours, since the end of 2017, to develop the 'skills for the future'. We maintained focus on improving our Colleague Learning Journey.

Our new Group Executive proposition, 'the edge', was launched in February, constructed specifically to support cultural change, putting responsible leadership at the heart of its design, to support our purpose, Helping Britain Prosper.

In our annual colleague survey, 85 per cent of colleagues responded positively to the statement "Where I work, people have the skills and knowledge they need to be their best", 78 per cent to the statement "Colleagues are getting the training and development needed to keep up with customer demands" and 69 per cent to the statement "I can see that the Group commitment to learning is making a difference to me".

Apprenticeships

At Lloyds Banking Group we offer apprenticeships from Level 2 (GCSE equivalent) to Level 7 (Master's Degree equivalent) in 25 occupational areas including Software Engineering, Leadership, Data Analyst, and Customer Services. Our Apprenticeship Programmes are delivered in partnership with expert training providers and universities supporting colleagues to develop the expertise, skills and behaviours valued by the Bank and supporting our aim to be the best Bank for customers. Between 2018 and 2020, 3,495 new and existing colleagues enrolled on an apprenticeship programme with Lloyds Banking Group. In 2020, 495 colleagues completed their apprenticeship, demonstrating their resilience and determination to succeed. Since the introduction of new Apprenticeship Standards in England, almost 40% of colleagues on an apprenticeship have achieved a merit or distinction grade in their external independent assessment, well above the expected national norm.



Colleague engagement

The Group understands that engagement is a two-way process, so each year we ask colleagues to share their views via our independently run colleague survey and participate in the annual Banking Standards Board (BSB) Culture Assessment.

Our 2020 BSB assessment indicated that 98 per cent of colleagues feels that the Group has supported their wellbeing through the pandemic.

Our spring Pulse colleague survey had a 66 per cent response rate and indicated positive reflections related to colleagues feeling supported, the company culture being more positive and caring, and indicated an interest from colleagues to explore changing ways of working in the future. Our autumn survey was completed by 72 per cent of the organisation and showed further increases in pride, satisfaction and overall engagement.

Freedom of association and collective bargaining

We support colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place, both in the UK and overseas. We have a recognition agreement with two trade unions who collectively consult and negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide) and have engagement with CEO, Group Executives and Board members. Union membership is relatively high for our sector at approximately 45 per cent, and our relationship with the trade unions allows all parties to work together to improve the working environment and ensure colleagues are rewarded fairly for their contribution to the Group. Our engagement with the unions was particularly valuable during the pandemic where we held more than 100 meetings to discuss issues as they arose and ensure that our approach to health, wellbeing, reward and colleague support was reflective of needs and had the support of our union partners.

► **Our environmental and social performance:** Progress in 2020

► **Health and wellbeing**



Colleague remuneration

We committed to colleagues that we would support them during this unprecedented time. Our priority was to take away as much uncertainty as possible when it came to work, their families and remuneration. This at times meant making some difficult but important decisions, but ones we feel were in the interest of shareholders, colleagues and the communities we serve.

The Group is continuing to provide support on mental and physical wellbeing as well as continuing to pay colleagues their full salary, no matter how the outbreak affects what they do for the Group or what their personal circumstances are.

In July, 40,000 predominantly customer-facing colleagues received a £250 award to say thank you for their support and to recognise the incredible commitment shown to our customers and communities throughout the pandemic. For the April 2021 pay review, the average pay award for our lowest-paid colleagues will be 1.7 per cent and up to 2.2 per cent, which is above inflation.

To recognise further the considerable role that all colleagues have played in supporting customers in 2020, and the part they will play in delivering the next phase of the Group's strategy, every permanent eligible colleague across the Group will receive a £400 share award. These free shares that vest after three years ensure that each and every colleague has a personal interest in the longer-term success of the Group.

Our decisions on pay, absence of leave, holidays, volunteering and supporting mental health and wellbeing ensured colleagues had certainty and continued to be treated fairly.

All Group employees receive a competitive and fair reward package. To encourage ownership, colleagues are eligible to participate in HMRC-approved share plans. Further information is provided on page 115 of the 2020 Lloyds Banking Group Annual Report and Accounts.

Executive reward outcomes

The Group wants to ensure that reward is clearly linked to the purpose and culture of the Group as well as meeting its strategic goals. The balanced scorecard is considered to be a transparent and effective tool to drive and assess performance, enabling the Remuneration Committee to assess the performance of a broad and optimum balance of business objectives, the outcome of which is used to determine variable reward outcomes for our Executive Directors (see page 118 of the 2020 Lloyds Banking Group Annual Report and Accounts). There are a number of measures within the 2020 balanced scorecard that support our focus on ESG-related activity and goals in its entirety. The Helping Britain Prosper Plan targets are incorporated into the Scorecard as well as other key governance measures such as those in relation to culture and engagement, building colleague skills for the future and also wider stakeholder engagement. We believe this diverse set of measures provides an appropriate balance of financial and non-financial measures when assessing performance and determining reward outcomes.

2020 marks the first year of the implementation of the 2020 Directors' remuneration policy and we have continued to engage thoroughly with our shareholders to ensure we deliver a clear and simple reward package with strong alignment to the Group's purpose and strategic goals as the Group moves into a new strategic phase.

The Remuneration Committee considers the need for significant restraint in respect of remuneration outcomes. The decisions of the Executive Committee earlier in the year to waive their right to any Group performance share awards was welcomed and considered the right thing to do in support of our customers, colleagues and communities.

As the Group enters a new strategic phase and focus turns towards Helping Britain Recover, the Remuneration Committee has thought carefully about the right choice of measures that should be included within a scorecard for 2021 to ensure Executive remuneration remains aligned to the Group's new purpose and strategic objectives. For further details of the Group's approach to Executive remuneration for 2021 and how ESG will play a role, please refer to pages 118 to 119 of the 2020 Lloyds Banking Group Annual Report.

Engaging with our shareholders on remuneration

We gained support at the 2020 AGM for the amendments we made to our Directors' Remuneration Policy and welcomed the majority votes for both the Policy and Long Term Share Plan (LTSP). The Policy became effective for 2020 however we recognise that there was a

significant number of votes opposing these resolutions indicating that there were concerns with some aspect of our policy's design. Following extensive and productive discussions additional clarity has been provided regarding the discount applied to the Long Term Share Plan (LTSP), as well as detail regarding our simplified balanced scorecard for 2021.

We have thought hard about the right choice and balance of measures for 2021 and as a result, we have significantly reduced the number of balanced scorecard measures from fifteen to seven and rebalanced the scorecard to ensure there is a clear weighting between financial (50%) and strategic (50%) metrics while appropriately capturing ESG, and customer and risk dimensions. In addition all measures are subject to consideration of risk and conduct.

After extensive shareholder consultation, we have determined that the ESG measures should be identified separately and quantifiable to ensure that we are specifically held to account for delivery against these factors. For 2021, we believe this focus should be ensuring management delivers its commitments centred around making the Group an inclusive and diverse workplace and our journey toward delivering net zero carbon operations by 2030. We expect the specific measures for these commitments to evolve over time, most notably to reflect our increasing role in supporting the UK's climate change goals.

For further detail regarding the LTSP structure and proposed simplified balanced scorecard please see page 118 to 119 of the 2020 Lloyds Banking Group Annual Report and Accounts.

► **Our environmental and social performance:** Progress in 2020

► **Conducting our business responsibly**

Conducting our business responsibly

E S G

Highlights

- 482 concerns were raised through our Speak Up line, of which 178 were formally investigated with 41 per cent of those investigations substantiated
- We became members of the United For Wildlife Financial Taskforce
- We co-sponsored the National Economic Crime Centre (NECC) initiative to tackle criminals seeking to exploit the pandemic
- Supplier expenditure was £5.1 billion with over 95 per cent of our third-party supplier spend incorporated in the UK
- £4 billion of taxes paid to the UK Government

Behavioural experiments during the pandemic

As part of the Transform element of our Group strategy, over the past three years we have accelerated our actions to advance our Values-led culture. In 2018 we launched our ground-breaking behavioural experiments programme. This approach to solving business challenges by using our Behaviours to design experiments has gone from strength to strength. We've trained over 3,000 champions and have approximately half of the organisation actively experimenting.

When the COVID-19 crisis hit at the start of 2020, this grounding of behavioural experimentation provided a solid foundation for colleagues to navigate the small and large challenges we faced as an organisation. Unsure of what to do, colleagues naturally turned to behavioural experiments to take decisive action and try new ways of working at all levels of the organisation – all guided by our Values and Behaviours.

Due to the ongoing success of our approach, we continue to embrace Behavioural Experiments as a critical way to learn and evolve for the future by using our Behaviours as a guiding principle.

Supporting colleagues to do the right thing

All our colleagues must be equipped to make the right decisions. The Group supports this by consistently promoting and embedding our policies, processes and training. Our Values and Behaviours, alongside the Financial Conduct Authority's conduct rules, set out the expectations of colleagues and they are encouraged to make decisions aligned to these.

Our Values and Behaviours have acted as a moral compass during 2020. Decision-making at all levels of the organisation has been guided by them. Colleagues have also used our behavioural experiments approach to help navigate some of the large and small challenges we've faced so far this year, especially to help our customers, by using our Behaviours to identify solutions.

Code of Ethics and Responsibility

At Lloyds Banking Group, being a responsible business means operating ethically and inclusively; meeting our legal requirements; and always considering our impact on our customers, colleagues, communities and society, and the environment. The Code of Ethics and Responsibility is a guide and reference point for every colleague. It explains how we can work responsibly, living up to our Values and doing the right thing when we have to make decisions, and it applies to all Lloyds Banking Group employees, contractors and agency employees, whether or not they are working with customers directly. The code is available on our [website](#).

Speak Up

Colleagues are encouraged to speak up, challenge and act if they witness anything inappropriate and we provide them with a variety of channels to do this. They can report the matter directly to Group conduct investigations, or make use of our independent and confidential speak up whistleblowing service which is operated by a third party, Speak Up. Speak Up is designed to support the creation of an environment where colleagues feel safe to raise concerns. Speak Up is critical in promoting an open and honest culture where colleagues are able to challenge inappropriate and unacceptable practices. All concerns are taken seriously and if an investigation is required, it will be conducted sensitively by an independent party.

SASB indicator:

FN-CB-230a.2	FN-CB-510a.2
FN-CF-230a.3	FN-AC-510a.2

In 2020, colleagues reported 482 concerns, of which 178 were formally investigated following triage, with 41 per cent of those investigations substantiated, resulting in remedial action. Other Group services also exist to support colleagues in trying to informally resolve grievances. A new informal resolution channel, 'Let's Talk', supports colleagues to reflect on their concerns and understand their rights and options so that grievances can be effectively and appropriately resolved through formal and informal channels. All colleagues employed or contracted to work for the Group are able to use the Speak Up service. This includes all employees, contractors, temporary staff, secondees, and those acting on behalf of, or representing Lloyds Banking Group (such as consultants and other service providers). This also includes former employees who have left the organisation.

To encourage informal resolution, a new team discussion tool has been created which helps build a climate of psychological safety in a team by discussing scenarios.

Additional links

- Lloyds Banking Group Tax Strategy
- Lloyds Banking Group Code of Ethics and Responsibility
- Lloyds Banking Group Code of Supplier Responsibility
- Lloyds Banking Group UN Global Compact Communication on Progress 2019
- Lloyds Banking Group Anti Bribery Policy Statement

► **Our environmental and social performance:** Progress in 2020

► **Conducting our business responsibly**



Our Dilemmas

We've developed a team game that's about conversation not competition, to create psychological safety in teams and build colleague's confidence to use their judgement. The game uses behavioural nudge theory to provide positive reinforcement and indirect suggestions as ways to influence behaviour and decision-making in groups and as individuals. Each dilemma scenario is based on a real-life experience from a colleague here at Lloyds Banking Group. When teams play Our Dilemmas together, they are encouraged to share their views and experiences in relation to the scenario – this can be very cathartic.

By listening to one another, colleagues learn more about the human underneath the uniform or work persona. This builds trust and understanding while growing empathy and rapport, enabling psychological safety to develop.

We used behavioural experiment methodology to develop the game through three test and learn cycles in the summer of 2020. A library of dilemma scenarios has been created that are accessed via an internal online resource hub. While approximately 50 playtests have been facilitated by Group culture, involving around 750 colleagues, the effectiveness of the game will continue to be monitored in 2021 through observation of game play and downloading of resources from the hub.

Conduct risk and responsible product development

The Group takes a range of mitigating actions with respect to conduct risk and remains focused on delivering a leading customer experience. The Group's ongoing commitment to good customer outcomes sets the tone from the top and supports the development of the right customer-centric mindset, strengthening links between actions to support conduct, culture and customer and enabling more effective control management.

A simplified and enhanced customer policy and procedures are in place throughout the Group to ensure appropriate controls and processes that deliver fair customer outcomes, and support market integrity and competition requirements.

Customer needs are considered through divisional customer plans, which include an integrated conduct lens, and the plans are reviewed and challenged by the Group Customer First Committee.

Continuous embedding of the customer vulnerability framework aligned with the FCA guidance on fair treatment of vulnerable customers is expected to launch in Q1. Development and continued oversight of the implementation of the vulnerability strategy continues through the Group Customer Vulnerability Committee (GCVC) operating at a senior level to prioritise change, drive implementation and ensure consistency across the Group.

An enhanced product governance framework ensures that products continue to offer customers fair value, and consistently meet their needs throughout their product life-cycle; reviewed and

challenged by the Group Product Governance Committee. The Group takes part in active engagement with regulatory bodies and other stakeholders to develop an understanding of concerns related to customer treatment, effective competition and market integrity, to ensure that the Group's strategic conduct focus continues to meet evolving stakeholder expectations.

More information related to our approach and management of conduct risk can be found on page 197 of the Lloyds Banking Group Annual Report and Accounts 2020.

Customer complaints

Our goal, in line with our purpose of Helping Britain Prosper, is to support customers whenever they have cause to complain. We continue to do this throughout the pandemic, supporting our colleagues and customers through the national lockdown, and we will continue to do so as we shape our future ways of working to support Britain's recovery. Our complaint volumes reduced in early 2020, as spending and customer interactions fell; however, complaints did start to return to forecasted levels as lockdown restrictions eased.

We started equipping our colleagues to work from home in March 2020 and by June, 80 per cent of our colleagues were homeworking. This is something we have maintained throughout COVID-19 to support both our colleagues and customers through an extremely challenging time. Our switch to working from home for our operational teams has been successful overall with 75 per cent of colleagues feeling they are as productive at home as they were in the office.

We'll continue to review our ways of working in order to best support our teams as we respond to government advice.

Although we worked extremely hard to get our colleagues working from home, our reduced capacity to resolve complaints throughout March and April meant customers had to wait longer than we'd like for a resolution to their complaint. This situation developed from March to July and has continued to impact our service offering throughout 2020; however, we continue to work hard to ensure we are resolving complaints as quickly as possible.

To ensure that we supported our customers as a matter of urgency, we introduced prioritisation principles to ensure customers in challenging financial situations were prioritised over those less in need of support. These types of complaints included severe financial hardship with some unable to feed their children.

By resolving the most impactful complaints first, we're assured we did our utmost to support our customers in a difficult time. We reviewed c.35,000 complaints and prioritised 2,300 of these to our highest category, aiming to make contact within 24 hours. In addition, where we saw a concentration of complaints, we reviewed our working patterns to support those customers. One example is within general insurance where we saw additional complaints due to bad weather which we actively responded to by training 300 colleagues.

► **Our environmental and social performance: Progress in 2020**

► **Conducting our business responsibly**

A review of how we did things expanded beyond our timelines, into how we communicated with customers and how we explained our decisions, in order to best support our customers throughout this period.

As we continue beyond 2020, we will review how we can continue to help our customers and improve their customer journey. This will include reviewing the channels in which we serve our customers, working hard to remove issues that cause customers to complain, and developing quicker ways to resolve complaints when customer dissatisfaction occurs.

Protecting customer data and finances

Customers trust us to keep their money and data safe, and the Group deploys sophisticated technology to protect both. The Group also works continuously to bolster defences against cyber-attacks. We also recognise the importance of secure behaviours and continue to educate our customers and colleagues on the cyber threat.

Recognising cyber as a non-competitive issue, we continue to collaborate externally to protect the Group and the wider industry. We continue as a founding member of the Financial Services Cyber Collaboration Centre, working with the Government's National Cyber Security Centre, and the Cross-Market Operational Resilience Group. We also work closely with other banks recognising the importance of collaboration when it comes to security, including as part of the Cyber Defence Alliance (CDA).

The Group also maintains strong and practised incident management frameworks. These were invoked at the onset of COVID-19 to ensure operational continuity and ensure customer, colleague and business needs could be met. More recently, focus has been on responding to further COVID-19 waves and capturing learnings from the pandemic to inform future ways of working.

Fraud and financial crime

The financial crime landscape is undergoing unprecedented change in terms of both regulatory reform and evolving crime threats. New money laundering regulations, corporate offences for tax evasion and reforms to the suspicious activity reporting regime seek to strengthen the UK's defences, while a series of scandals involving overseas banks, have highlighted the global nature of the threat. Criminal exploitation of new payment technologies and virtual currencies require an agile response from banks and law enforcement alike. Meanwhile, fraudsters continue to target businesses and individuals, seeking to exploit those who may be vulnerable via a variety of scam types such as romance scams, invoice fraud and the use of money mules. The Group's adoption of a risk-based approach to managing and mitigating fraud and financial crime risk ensures compliance with applicable regulations via a control framework which focuses on those customers, products, channels and jurisdictions that carry heightened risk.

The Group's economic crime prevention strategic vision is based on the principle of intelligence and data-led risk management, to minimise customer impact while reducing the harm to our

communities caused by criminals and terrorists. We are committed to managing the economic crime risks associated with our business. We operate systems and controls which are appropriate and effective within our stated risk appetite, and which meet legal and regulatory requirements. The Group is playing its part, building our capabilities, and implementing a clear vision to protect our bank, our customers and the economy from financial crime.

Policy framework and colleague training

There are currently four Group-wide economic crime policies covering fraud, anti-money laundering and counter-terrorist financing, sanctions and prohibitions, and anti-bribery. These are core policies within the Group's Risk Management Framework which all businesses must comply with. Each policy sets out the fundamental requirements for businesses to perform risk assessments, implement proportionate controls and ensure sufficient independent oversight is maintained to assure the efficacy of controls. A combined fraud and financial crime mandatory training course reflecting key policy requirements is undertaken annually by all colleagues.

External engagement and partnership

Since December 2017, the Group has used its in-house team of 'mule hunters' to identify and stop the movement of money from scams. Over 39,000 accounts associated with mule activity have been identified and closed, and c.£35 million of victims' funds have been frozen. Good progress continues to be made in ensuring funds obtained fraudulently are returned to victims who are customers of other banks in a timely way. We played a

leading role in the launch of the industry voluntary code in May 2019, to reimburse customers if they fall victim to an authorised push payment scam, and to which we are a signatory, and have made a voluntary contribution to a fund to reimburse victims when neither the victim nor the bank have fallen short of the standards.

In 2018, we established a three-year public-private partnership with the City of London Police (CoLP). In addition to our expertise, we are contributing £1.5 million during that time to support the delivery of the partnership's key objectives. Among other things, the partnership has delivered enhanced fraud-related training for law enforcement officers, launched a proof of concept to increase CoLP's capability within their intelligence development function, and rolled out an educational programme to schoolchildren across the country. This has already had a significant impact by having the training available for all police forces in the UK, the further disruption of criminal activity, an increase in convictions and the recovery of assets for the victims of fraud.

In 2019, we became a member of the North East Business Resilience Centre (NEBRC). The NEBRC is a non-profit organisation which exists to support and help protect North East England businesses from cyber-crimes and is funded by a range of public and private partners, including Lloyds Banking Group. The NEBRC offers a wide range of business resilience services, delivered by an expert team of trusted professionals, seconded police officers and ethical hacking students from Sheffield Hallam and Northumbria University. Our Group Director of Fraud and Financial Crime Prevention chairs the Board.

RESOLVING A CUSTOMER COMPLAINT

A customer raised their complaint online on 29 April which involved a series of complex issues such as bereavement and payments needing to be returned. We prioritised the case and made contact, with complete resolution in 14 days. This included fully resolving the issue, registering the bereavement and organising funds to be returned to the customer by 14 May.

In 2020, we became members of the United For Wildlife Financial Taskforce. United For Wildlife is a Royal Foundation working to tackle illegal wildlife trade by bringing together conservation organisations, governments and global corporations. We are playing our part by educating our colleagues to look out for indicators of wildlife trafficking, providing intelligence to and acting on intelligence received from bodies and law enforcement, and supporting and promoting the work of the Taskforce and United For Wildlife.

We are also active supporters of Stop Scams UK. Stop Scams UK is a new organisation designed to stop scams at the source by bringing together partners from various industry sectors. While still in its infancy, the financial services and telecoms sectors are already working together to identify opportunities to disrupt and stop scams, and our hope is to extend this to social media companies and online payment platforms.

► **Our environmental and social performance:** Progress in 2020

► **Conducting our business responsibly**

This year, in response to COVID-19, the National Economic Crime Centre (NECC), co-sponsored by us, mobilised a new public-private initiative to tackle criminals seeking to exploit COVID-19. The aim was to rapidly share information on changes to the economic crime threat posed by the pandemic and proactively target, prevent and disrupt criminal activity, thus protecting the public and businesses. We set the standard in industry reporting to the NECC, producing a weekly intelligence summary and a number of operational referrals.

Meanwhile, we are at the forefront of efforts to shape the evolving legislative and industry agenda on economic crime. From engagement with and support for the Government's Economic Crime Strategy, including reform of the Suspicious Activity Reporting (SARs) regime and the transposition of EU directives, the Group provides the necessary thought leadership to address often complex issues, providing solutions that benefit the bank, our customers and society.

Human rights and modern slavery

The Board continues to make enhancements to address the risks of modern slavery and human trafficking and to provide specific training for specialist colleagues.

The Group has adopted policies and procedures designed to detect and prevent the use of its banking network for money laundering, terrorist financing, bribery, tax evasion, modern slavery, human trafficking, wildlife trafficking and activities prohibited by legal and regulatory sanctions. Against a background of increasingly complex and detailed laws and regulations, and of increased criminal and terrorist activity, the Group regularly reviews and assesses its policies, procedures and organisational arrangements to keep them current, effective and consistent across markets and jurisdictions.

The Group requires mandatory training for all employees and specifically, the anti-money laundering procedures which include 'know-your-customer' requirements, transaction monitoring technologies, reporting of suspicions money laundering or terrorist financing to the applicable regulatory authorities, and interaction between the Group's Financial Intelligence Unit, external agencies and other financial institutions.

The Anti-Bribery Policy prohibits the payment, offer, acceptance or request of a bribe, including 'facilitation payments' by any employee.

Supporting vulnerable customers

Vulnerability for our customers can appear in many forms, from a specific life event to something long term. That's why the Group is committed to raising awareness, fighting stigma and providing meaningful support across a range of challenging issues. Whether supporting our customers' financial worries following a cancer diagnosis or working with partners such as the anti-slavery NGO Hope for Justice, to provide bank accounts for

modern slavery survivors, the Group continues to create innovative solutions for our customers.

Responsible sourcing

Our suppliers and supply chains are integral to how we fulfil our customers' needs. We work closely with our suppliers of goods and services to manage risks and drive continuous improvements in the standards of performance and quality. Through collaboration with our suppliers, we enable innovation to create value for our customers. We work with around 3,000 active suppliers of varying sizes, most in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communication. In 2020, our supplier expenditure was £5.1 billion with over 95 per cent of our third-party supplier spend incorporated in the UK.

The Sourcing and Supply Chain Management Policy applies to all businesses, divisions, Group functions and legal entities across the Group, whether based in the UK or overseas, including joint ventures. This policy has been designed to assist in managing the inherent risk in outsourcing services and dealing with third-party suppliers. The Group require suppliers to adhere to relevant Group policies and to comply with our Code of Supplier Responsibility. This outlines our expectations for responsible business, sustainability practice and behaviour, underpinning our efforts to share and extend good practice. The Code encompasses the key social, ethical and environmental principles that we believe a responsible business should adhere to.



We encourage suppliers to raise any concerns directly with their supplier relationship manager. If this is not possible, they can use our confidential Speak Up service, which is available 24 hours a day, seven days a week.

As with all industries we have had to reassess and react to the disruption caused by the pandemic, specifically in terms of our supply chain management framework.

As a result, we have made no changes to the framework or expectations of our suppliers, but how we meet these has changed, including:

- ➔ Conducting remote supplier assurance visits, since March, in order to avoid the health risks that physical on-site reviews currently present, and protect human rights across our supply chain
- ➔ Enabling suppliers to work from home, while still complying with the minimum standards of our external policies
- ➔ Facilitating 'critical worker' status for suppliers, where appropriate, in order to allow services to our vulnerable customers to continue

This flexed approach is governed by the Supplier Financial Health and Performance Forum. Results of the measures have evidenced that our framework remains robust and fit for purpose.

Tax

Our contribution

Tax is one of the ways in which businesses contribute to the societies in which they operate, and we are proud to be among the UK's highest payers of corporate taxes.

In 2020, we paid £2.1 billion of tax on maintaining our branch network, the operation of our business and generation of profits, plus we collected an additional £1.9 billion of taxes payable by our staff on their wages, and by our customers on the products in which they invest.

Our approach to tax

Appropriate, prudent and transparent tax behaviour is a key component of corporate responsibility.

We comply with the HMRC Code of Practice on Taxation for Banks. 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.

We want to pay the taxes due on the profits we make, in line with the letter and spirit of the law.

For further information about the taxes we pay, and the economic value we generate for the UK, you might like to take a look at our annual Tax Strategy document.

Appendix 1 – ESG data sheet

This data sheet provides a holistic overview of the Group's performance and discloses a selection of our key financial, community and environmental performance metrics, as well as those that demonstrate our economic and social impact. Data featured includes key performance indicators, specific impact proof points and our performance against our 2020 Helping Britain Prosper Plan targets. Further information on our performance and initiatives can be found online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business.html>.

FINANCIAL PERFORMANCE DATA

	2020	2019	2018	2017	2016	2015
Underlying profit before tax	£2,193m	£7,531m	£8,066m	£7,628m	£6,782m	£7,275m
Statutory profit before tax	£1,226m	£4,393m	£5,960m	£5,275m	£4,238m	£1,644m
Ordinary dividend pence per share	0.57p	1.12p	3.21p	3.05p	2.55p	2.25p
Statutory return on tangible equity	3.7%	7.8%	11.7%	8.9%	6.6%	2.6%
Cost:income ratio ¹	55.3%	48.5%	49.3%	51.8%	55.3%	54.2%
Common equity tier 1 ratio ²	16.2%	13.8%	13.9%	13.9%	13.0%	13.0%
Earnings per share	1.2p	3.5p	5.5p	4.4p	2.9p	0.8p
Net income	£14,404m	£17,142m	£17,768m	£17,742m	£16,605m	£16,873m

¹ Cost:income ratio including remediation.

² The CET1 ratio at 31 December 2019 is reported on a pro forma basis, reflecting the dividend paid up by the Insurance business in the subsequent first quarter period.

HEALTH AND SAFETY DATA

	2020	2019	2018	2017	2016	2015
Total recorded accidents involving injury	792	1,274	1,485	1,785	1,926	2,179
Slips, trips and falls	334	408	443	544	551	576
RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)	22	39	37	50	54	71

► Appendix 1 – ESG data sheet

ECONOMIC AND SOCIAL IMPACT DATA

	2020	2019	2018	2017	2016	2015
Number of digitally active customers	17.4m	16.4m	15.7m	13.4m	12.5m	–
New net lending to SMEs and Mid-Market businesses	£5.7bn	£340m	£3bn	£0.9bn	£1.6bn	>£2bn
New start-ups supported	32,344	109,108	124,182	124,000	121,000	105,000
Total new mortgage lending ¹	£47.434m	£46,712m	£43,717m	£42,190m	£38,733m	£38,847m
Total new mortgage lending (residential only)	£40,218m	£41,679m	£38,124m	£36,441m	£32,504m	£31,592m
Amount lent to first-time buyers	£13.6bn	£13.8bn	£12.4bn	£13bn	>£11bn	>£11bn
Number of homes our Housing Growth Partnership ² has committed to build with SME builders	264	799	837	–	–	–
New funding support provided for the social housing sector	£2.5bn	£2.3bn	£4.1bn	–	–	–
Growth in assets ³ that we hold on behalf of customers in retirement and investment products	£8.5bn	£29.7bn	£7.4bn	–	–	–
Investment in the UK manufacturing sector through our financial support	£1.1bn	£1.0bn	£1.5bn	–	–	–
Number of clients helped to export for the first time	3,785	4,870	6,247	–	–	–
Share of social bank accounts we support	28.8%⁴	31.3%	33%	–	–	–
Number of manufacturing apprentices, graduates and engineers trained as a result of our £1m annual investment in the Lloyds Bank Advanced Manufacturing Training Centre	296	561	354	–	–	–
Number of individuals, SMEs and charities trained in digital skills, including internet banking	409,635	738,504	700,232	–	–	–
Staff costs: salaries	£2,573m	£2,539m	£2,482m	£2,679m	£2,750m	£2,808m
Tax paid	£2.1bn	£2.9bn	£2.6bn	£2.5bn	£2.3bn	£1.8bn
Tax collected	£1.9bn	£1.9bn	£2bn	£1.7bn	£2bn	£2.2bn
Total amount paid to suppliers	£5.1bn⁵	£5.9bn	£5.8bn	£5.0bn	£5.3bn	£5.8bn
Helping Britain Prosper Plan targets achieved ⁶	17 of 22	20 of 22	20 of 22	21 of 22	20 of 24	27 of 28

1 Figure includes buy to let as well as residential lending.

2 The Housing Growth Partnership is a socio-economic equity investment fund launched by Lloyds Banking Group and the Homes and Communities Agency.

3 Growth in assets under administration on our front books.

4 At October 2020.

5 This figure is aligned from the Modern Slavery Statement. <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

6 Link to Helping Britain Prosper Plan 2018 to 2020 and Helping Britain Prosper Plan 2014 to 2020 performance: <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

► Appendix 1 – ESG data sheet

COMMUNITY DATA

	2020	2019	2018	2017	2016	2015
Total community investment ✓ ¹	£51m	£51m	£56m	£58m	£63m	£64m
Cash donations ✓ ¹	£39m	£34m	£40m	£38m	£29m	£27m
Employee time ✓ ¹	£2.7m	£5.3m	£4.4m	£4.8m	£16m	£20m
Management costs ✓ ¹	£4.0m	£3.7m	£5.3m	£7.1m	–	–
In-kind giving ✓ ¹	£63,700	£65,245	£74,751	£147,065	£186,941	£239,390
Leverage ✓ ¹	£5.7m	£7.3m	£6.4m	£7.6m	–	–
Total amount donated to the Lloyds Bank, Halifax and Bank of Scotland Foundations	£25.5m	£25.9m	£25.2m	£20.7m	£18.5m	£17m
Funds raised for Charity of the Year (including Matched Giving ²)	£2.3m	£2.3m	£3.8m	£4.8m	£6.1m	£5m
Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations	2,787	2,929	3,113	–	–	–
Number of colleague volunteering hours supporting community projects	82k hours	247k hours	235k hours	–	–	–
Colleague volunteers	10,986³	30,993	35,575	36,700	38,700	40,900
Annual commitment to Credit Unions for them to provide additional sustainable lending for their customers across the UK	–	£1m ⁴	£5.6m	–	–	–
Number of Social Entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs Programmes	239	246	236	–	–	–

1 Collated in line with London Benchmarking Group reporting guidelines.

2 The Matched Giving scheme allows Lloyds Banking Group colleagues to claim up to £1,000 per calendar year for registered charities that meet the eligibility criteria.

3 The number of volunteers have dropped in 2020. The COVID-19 pandemic has been the primary reason and it has driven a material detrimental impact.

4 2019 is the final year of the Credit Union Development Fund. 2019 figure achieved represents the additional sustainable lending made by Credit Unions as a result of our annual commitment.

✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

► Appendix 1 – ESG data sheet

PEOPLE DATA

	2020	2019	2018	2017	2016	2015
Employees (on a full-time equivalent basis ¹) at 31 December	61,577	63,069	64,928	67,905	70,433	75,306
UK ¹	60,803	62,327	64,222	67,172	69,649	74,553
Non-UK	774	742	706	733	784	753
Percentage of full-time colleagues	75%	–	–	–	–	–
Percentage of part-time colleagues	25%	–	–	–	–	–
Percentage of colleagues split by level ²	Junior: 56% Middle: 34% Senior: 10%	–	–	–	–	–
Percentage of colleagues split by age	< 20: 1% ≥ 20 & < 30: 18% ≥ 30 & < 40: 29% ≥ 40 & < 50: 26% ≥ 50 & < 60: 22% > 60: 4%	–	–	–	–	–
Employee turnover rates (per headcount)	6.45%	–	–	–	–	–
Number of colleagues who used family and dependant leave permits ³	7,210	–	–	–	–	–
E EI – Employee Engagement Index	81%	74%	73%	76%	71%	70%
PEI – Performance Excellence Index	82%	79%	80%	83%	80%	79%
Values and Behaviours (% Favourable ⁴)	–	–	79%	80%	78%	78%
Customer Satisfaction – Net Promoter Score	69.3	64.9 ⁵	64.2 ⁵	63.8 ⁵	63.9 ⁵	60.5 ⁵

	2020	2019	2018	2017	2016	2015
FCA reportable complaints (per 1,000 accounts) – H1 ⁶	2.6	2.9	3.9	4.1	–	–
FCA reportable complaints (per 1,000 accounts) – H2 ⁶	N/A¹⁰	3	3.4	4.2	4.3	–
Average formal learning days per FTE	9.75	10.4	8.0	5.6	6.0	5.7
Percentage of colleagues completed mandatory training on the Codes of Ethics and Responsibility	95%	95%	85%	87%	86%	97%
Number of undergraduates from lower-income ⁸ households supported through our Lloyds Scholars Programme	0⁹	139	138	–	–	–
Number of internal apprenticeship positions created within the Group that result in permanent employment	902	1,103	1,490	–	–	–

1 Employee numbers include PPI; the UK number includes Guernsey, IOM, Jersey and Gibraltar.

2 Junior grades are A to C (Assistant and Senior Assistant); Middle grades are D to E (Assistant Manager and Manager); and Senior grades are F+ (Senior Manager and above).

3 Lloyds Banking Group Family Leave policies include emergency dependants leave, maternity, adoption, paternity, shared paternal and parental (statutory entitlement for parents to take up to 18 weeks' unpaid leave prior to a child's 18th birthday. In the case of a child with a disability the entitlement is increased to 26 weeks). For further information: <https://www.lloydsbankinggroup.com/careers/benefits.html>.

4 Values and behaviours was not reported in 2019 and 2020.

5 Restated to reflect changes in measurement approach.

6 Overall FCA reportable complaints excluding Insurance & Pure Protection have continued to reduce in 2020. The FCA changed the approach to complaint reporting in June 2016 and historical data is presented since this date. H2 2020 data not available at time of issue.

7 The average formal learning days is based on permanent colleagues only. The average formal learning days is down on 2019. The reduction is primarily due to the impacts of the pandemic across the Group.

8 With household income less than £25,000 and who meet Programme eligibility criteria.

9 Recruitment of new students onto the scholars programme was cancelled in 2020 due to the COVID-19 pandemic.

10 Data was not available at the time of report production.

► Appendix 1 – ESG data sheet

DIVERSITY DATA

	2020	2019	2018	2017	2016	2015
Percentage of total employees who are female	57.9%	58.2%	58.2%	57.9%	58%	58.4%
Female managers	45.9%	46.2%	46.1%	46%	45.3%	45.5%
Female senior managers	37%	36.8%	35.3%	34%	32.4%	31%
Percentage of female Board members	33.3%	30.8%	30%	25%	23%	23%
Percentage of female GEC ¹ & GEC direct reports	32.3%	31.1%	-	-	-	-
Percentage of female recruits in LBG's graduate programme ²	29%	41%	48%	47%	45%	46%
Percentage of female recruits in LBG's apprenticeship programme ²	53%	52%	58%	54%	56%	53%
Percentage of colleagues who identify as Black, Asian and Minority Ethnic	10.6%	10.2%	9.5%	8.3%	7.9%	6.8%
Percentage of senior managers who identify as Black, Asian and Minority Ethnic	7.7%	6.7%	6.4%	5.6%	4.8%	3.7%
Percentage of colleagues who disclose they have a disability	3.2%	2.8%	1.7%	2.6%	2.2%	1.1%
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender	2.3%	2.2%	2%	1.7%	1.5%	1.2%
Mean ethnicity pay gap ³	6.8%⁴	-	-	-	-	-
Median ethnicity pay gap ⁵	14.8%⁴	-	-	-	-	-
Mean ethnicity bonus gap ⁶	26.3%⁴	-	-	-	-	-
Median ethnicity bonus gap ⁵	32.5%⁴	-	-	-	-	-
Mean gender pay gap ³	30.5%⁷	30.9%	31.5%	32.8%	-	-
Median gender pay gap ⁵	33.6%⁷	33.5%	32.8%	32.8%	-	-
Mean gender bonus gap ⁶	62.5%⁷	64.2%	66.4%	65.2%	-	-
Median gender bonus gap ⁵	69.5%⁷	41.8%	60.8%	53.1%	-	-

Reporting scope: Data is sourced from HR system (Workday) which contains details of all permanent colleagues. It includes international colleagues, those on parental/maternity leave, absent without leave (AWOL) and long-term sick. Excludes contractors, Group Non-Executive Directors, temps and agency staff. A permanent colleague is one who is paid via Lloyds Banking Group payroll and employed on a permanent or fixed-term contract (employed for a limited period). Senior Managers: Grades F+. Managers: Grades D–E. Apart from gender data, all other 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. Diversity scope: Calculation is based on headcount, not FTE (full-time employee value) as at 31 December 2020.

Indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2020 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

1 Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters, and is an input to the Board. Board and GEC data as at 31 December 2020. 'GEC and GEC direct reports' includes the Group Chief Executive, GEC and colleagues who report to a member or attendee of GEC, excluding administrative or executive support roles (Personal Assistant, Executive Assistant).

2 The apprenticeship and graduate percentages are reflective of all of those who joined those programmes, both internally and externally to the Group.

3 The mean pay gap is the difference between the average hourly earnings of White colleagues (ethnicity) or male colleagues (gender) and the average hourly earnings of Black, Asian and Minority Ethnic colleagues (ethnicity) or female colleagues (gender).

4 The report is completed with data from April to April. The 2020 report covers from April 2019 to April 2020. The report is available at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

5 The median pay and bonus gaps are based on arranging all the pay amounts in numerical order and selecting the middle amounts.

6 The mean bonus gap is the difference between the mean average bonus payment received by White colleagues (ethnicity) or male colleagues (gender) and the mean average bonus payment received by Black, Asian and Minority Ethnic colleagues (ethnicity) or female colleagues (gender). This is calculated by adding together the bonus payments received in the 12-month period of each group of people and dividing the result by the number of people in the group.

7 The report is completed with data from April to April. The 2020 report covers from April 2019 to April 2020. The report is available at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

► Appendix 1 – ESG data sheet

ENVIRONMENTAL DATA

(CO ₂ e – tonnes)	2020	2019 ¹	2018 ¹	2017 ¹	2016 ¹	2015
Total emissions (CO ₂ e – market based) ✓	71,704	101,856	115,961	303,065	340,261	395,543
Total emissions (CO ₂ e – location based) ✓	159,487	208,495	243,293	286,892	340,261	395,543
Total CO ₂ e (CO ₂ e – market based expanded scope) ✓	120,308	180,153	197,484	–	–	–
Total CO ₂ e (CO ₂ e – location based expanded scope) ✓	208,092	286,792	324,816	–	–	–
Scope 1 and 2 emissions (market based) ✓	39,107	48,631	–	–	–	–
Scope 1 and 2 emissions (location based) ✓	126,890	155,270	–	–	–	–
UK Scope 1 and 2 emissions (market based)	38,806	47,946	–	–	–	–
UK Scope 1 and 2 emissions (location based)	126,209	152,893	–	–	–	–
Total Scope 1 emissions (CO ₂ e) ✓	39,107	48,246	49,299	51,935	53,023	58,851
Scope 1 – direct CO ₂ e emissions	28,508	35,157	36,215	37,100	38,387	44,623
Scope 1 – direct methane emissions in CO ₂ e equivalent	35	39	42	42	45	55
Scope 1 – direct N ₂ O emissions in CO ₂ e equivalent	58	137	145	196	156	177
Scope 1 – direct HFC emissions in CO ₂ e equivalent	10,507	12,913	12,897	14,597	14,435	13,996
Total Scope 2 emissions (CO ₂ e – market based) ✓	–	385	1,951	178,771	202,319	239,709
Total Scope 2 emissions (CO ₂ e – location based) ✓	87,783	107,025	129,284	162,598	202,319	239,709
Total Scope 3 emissions (CO ₂ e) ✓	32,597	53,225	64,710	72,876	84,918	96,983
Total Scope 3 emissions (CO ₂ e expanded scope) ✓	81,202	131,522	146,233	–	–	–
Working from home emissions ²	4,008	–	–	–	–	–
GHG emissions (CO ₂ e) per £m of underlying income (location based)	10.4	11.5 ³	13.0	15.5	19.4	22.4
GHG emissions (CO ₂ e) per £m of underlying income (market based)	4.7	5.6 ³	6.2	16.4	19.4	22.4
GHG emissions (CO ₂ e) per £m of underlying income (location based expanded scope)	13.6	15.8 ³	17.3	–	–	–
GHG emissions (CO ₂ e) per £m of underlying income (market based expanded scope)	7.9	9.9 ³	10.5	–	–	–
Intensity ratio per FTE location based (as at 31 December)	2.59⁴	3.31	3.75	4.23	4.83	5.25
Intensity ratio per FTE market based (as at 31 December)	1.16⁴	1.61	1.79	4.47	4.83	5.25

Our market-based emissions are equal to location based for 2016/2015. This is in accordance with GHG Protocol guidelines in absence of appropriate residual factors. Emissions in tonnes Co₂e in line with the GHG Protocol Corporate Standard (2004) including revised Scope 2 guidance (2015) which discloses a market-based figure in addition to the location-based figure.

The current measure and reporting criteria for Scope 1, 2 and 3 emissions is provided in the Lloyds Banking Group Reporting Criteria document available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

Scope 1 emissions include mobile and stationary combustion of fuel and operation of facilities.

Scope 2 emissions figures have been calculated, using the location-based and the market-based methodology, in line with the GHG Protocol's dual reporting guidance.

1 2019/2018, 2018/2017, 2017/2016 and 2016/2015 emissions restatement of energy data to reflect actual data instead of estimates – in line with disclosures in 2020 Annual Reporting suite.

2 Working from home emissions are calculated for 2020 reporting year only. We expect these emissions to increase next year due to the working from home activity continuing over the UK winter months.

3 Intensity figures have been restated for 2019 and 2018 to reflect changes to emissions data only, replacing estimated data with actuals; underlying income figures for those years have not changed.

4 2020 figure is based on total FTE of 61,577. This has been used to calculate equivalent location-based intensity per FTE.

5 Updated to include mobile branch fuel usage with change of operational control.

6 Renewable energy used in 2020 decrease due to reducing total electricity usage not the proportion of renewables used.

7 Discounted lending provided through the Lloyds Bank Lending Initiative.

✓ 2020 indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2018 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

► Appendix 1 – ESG data sheet

ENVIRONMENTAL DATA CONTINUED

(CO ₂ e – tonnes)	2020	2019	2018	2017	2016	2015
Intensity ratio per FTE location based expanded scope (as at 31 December)	3.38⁴	4.55	5.00	–	–	–
Intensity ratio per FTE market based expanded scope (as at 31 December)	1.95⁴	2.86	3.04	–	–	–
Total energy consumption (GWh) ✓	524.02	591.34	578.23	585.73	619.61	676.21
UK total energy consumption (GWh) ⁵	518.72	585.14	–	–	–	–
Direct energy consumption by source – gas (GWh)	132.13	142.63	144.89	139.04	140.65	162.90
Direct energy consumption by source – oil (GWh)	2.32	5.05	2.66	4.14	2.42	3.76
Indirect energy consumption by source – electricity (GWh)	369.26	404.10	430.68	442.55	476.55	509.54
Total building energy (GWh)	503.71	551.78	–	–	–	–
Company vehicle energy (GWh)	14.44	29.99	–	–	–	–
Grey fleet energy (GWh)	5.88	9.58	–	–	–	–
Total fleet energy (GWh)	20.32	39.56	–	–	–	–
Year-on-year percentage reduction in total energy	11.38%	5.15%	1.28%	5.47%	8.37%	6.69%
Renewable energy used (MWh)	369,259⁶	403,131	425,974	–	–	–
Self-generated renewable electricity (MWh)	0	0	0	–	–	–
Business travel (CO ₂ e) emissions (tonnes)	12,149	31,759	37,113 ⁵	36,681	42,443	47,435
Business travel (CO ₂ e) emissions (tonnes) – expanded scope	15,635	41,103	48,394	–	–	–
Water consumption (m ³) ✓	939,845	1,096,146	1,097,210	1,095,371	1,122,534	1,097,851
Operational waste (tonnes) ✓	8,611	13,570	14,961	15,631	19,510	22,245
Combined total waste (landfill and recycling) (tonnes)	8,099	12,644	14,036	14,686	18,444	20,831
Percentage of operational waste diverted from landfill	94.9%	73.6%	78%	78%	78% ¹	83%
Total tonnes of paper used	15,524	18,471	19,954	20,341	20,335	24,352
Percentage of paper from sustainable sources	100%	100%	100%	100%	100%	100%
Average number of homes that could be powered as a result of our support of UK renewable energy projects	5.00m	2.41m	2.67m	–	–	–
Amount of commercial real estate space we will fund to become more energy efficient with green loans ⁷	1.7m sq. ft.	15.9m sq. ft.	1.4m sq. ft.	–	–	–

Our market-based emissions are equal to location based for 2016/2015. This is in accordance with GHG Protocol guidelines in absence of appropriate residual factors. Emissions in tonnes Co₂e in line with the GHG Protocol Corporate Standard (2004) including revised Scope 2 guidance (2015) which discloses a market-based figure in addition to the location-based figure.

The current measure and reporting criteria for Scope 1, 2 and 3 emissions is provided in the Lloyds Banking Group Reporting Criteria document available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

Scope 1 emissions include mobile and stationary combustion of fuel and operation of facilities.

Scope 2 emissions figures have been calculated, using the location-based and the market-based methodology, in line with the GHG Protocol's dual reporting guidance.

1 2019/2018, 2018/2017, 2017/2016 and 2016/2015 emissions restatement of energy data to reflect actual data instead of estimates – in line with disclosures in 2020 Annual Reporting suite.

2 Working from home emissions are calculated for 2020 reporting year only. We expect these emissions to increase next year due to the working from home activity continuing over the UK winter months.

3 Intensity figures have been restated for 2019 and 2018 to reflect changes to emissions data only, replacing estimated data with actuals; underlying income figures for those years have not changed.

4 2020 figure is based on total FTE of 61,577. This has been used to calculate equivalent location-based intensity per FTE.

5 Updated to include mobile branch fuel usage with change of operational control.

6 Renewable energy used in 2020 decrease due to reducing total electricity usage not the proportion of renewables used.

7 Discounted lending provided through the Lloyds Bank Lending Initiative.

✓ 2020 indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2018 Annual Responsible Business Reporting. Deloitte's 2020 assurance statement and the 2020 Reporting Criteria are available online at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

Appendix 2 – Equator Principles: transactions screened by Lloyds Banking Group

Transactions approved*

Lloyds Banking Group is a signatory to the Equator Principles 4, which is a risk management framework for determining, assessing and managing environmental and social risk in project finance transactions, such as large-scale energy, industrial or infrastructure projects. It ensures that where we provide finance or advice for such deals, it is executed in a responsible manner, and reflects the importance of environmental impacts, ecology, climate change, local communities, and ethical and moral factors. Where any such impacts are unavoidable, they must be appropriately mitigated or offset.

We have a robust approach to the review and reporting of Equator Principle transactions, due to our internal referral and risk assessment process. This includes detailed environmental due diligence and technical adviser reports being a key requirement in our analysis of project finance transactions, alongside engagement with environmental consultants, enabling us to make responsible business risk decisions.

* Numbers reflect transactions completed in the year; values reflect the final Lloyds Banking Group loan hold amounts approved for each transaction.

PROJECT FINANCE ADVISORY SERVICES

Advisory by industry sector	Number	31 December 2020 Value
Infrastructure	0	£nil
Mining and metals	0	£nil
Oil and gas	0	£nil
Power	0	£nil
Telecommunications	0	£nil
Transport	0	£nil
Other	0	£nil

Advisory by region	Number	31 December 2020 Value
UK	0	£nil
Europe	0	£nil
USA	0	£nil
Australasia	0	£nil

PROJECT FINANCE LOANS

Loans by category ¹	Number	31 December 2020 Value
Category A	0	£nil
Category B	7	£840.5m
Category C	1	£60m

Loans by region	Number	31 December 2020 Value
UK	8	£900.5m
Europe	0	£nil
USA	0	£nil
Australasia	0	£nil

Loans by industry sector	Number	31 December 2020 Value
Infrastructure	0	£nil
Mining and metals	0	£nil
Oil and gas	1	£56.8m
Power	5	£709.9m
Telecommunications	2	£133.8m
Transport	0	£nil
Other	0	£nil

Loans by country designation	31 December 2020 Value
Designated country	8
Non-designated country	0
Category A, B and C loans with an independent review	8

There were no project-related corporate loans or bridge loans reviewed in 2020.

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 2020, we declined no transactions on environmental or social grounds, nor approved any with exceptions. This is due to early identification of issues by Relationship Managers.

Appendix 3 – Our full Helping Britain Prosper Plan performance 2018–2020

As part of our purpose to help Britain prosper, we embrace our responsibility to help address some of the social, economic and environmental challenges that the UK faces. We manage this through our Helping Britain Prosper Plan.

Launched in 2014 and revised annually, the Plan focuses on the areas in which we can make the biggest difference. In 2018, we set specific targets aligned to our three year strategy and in 2019 we elevated a specific sustainability target to our priority metrics, all of which are highlighted in bold.

	2018 Achieved	2019 Achieved	2020 Achieved	2020 Target
Average number of homes that could be powered as a result of our support of UK renewable energy projects	2.6m	5.1m*	10.1m*	5m*
Amount of commercial real estate space we will fund to become more energy efficient with green loans ¹	1.4m sq.ft.	17.4m sq.ft.*	19.1m sq.ft.*	5m sq.ft.*
Amount of lending committed to help people buy their first home	£12.4bn	£13.8bn	£39.7bn*	£30bn*
Number of homes our Housing Growth Partnership ² has committed to build with SME builders	837	1,636*	1,900*	1,500*
New funding support provided for the social housing sector	£4.1bn	£6.4bn*	£8.9bn*	£5.5bn*
Growth in assets³ that we hold on behalf of customers in retirement and investment products	£7.4bn	£37.1bn*	£45.6bn*	£50bn*
Increased amount of net lending to start-up, SME and Mid Market businesses	£3bn	£3.4bn*	>£6bn*	£6bn*
Investment in the UK manufacturing sector through our financial support	£1.5bn	£2.6bn*	£3.7bn*	£3bn*
Number of clients helped to export for the first time	6,247	11,117*	14,902*	15,000*
Number of businesses we will help to start up	124,182	233,290*	265,634*	300,000*

1 Discounted lending provided through the Lloyds Bank Green Lending Initiative.

2 The Housing Growth Partnership is a socio-economic equity investment fund launched by Lloyds Banking Group and the Homes and Communities Agency.

3 Growth in assets under administration on our front books.

4 Figures as at October 2020.

5 2019 is the final year of the Credit Union Development Fund. 2019 figure achieved represents the additional sustainable lending made by Credit Unions as a result of our annual commitment.

6 Skills-based activity added as part of the measure from 2019 onwards. % figure represents the in-year proportion of skills-based activity.

7 The Matched Giving scheme allows LBG Group colleagues to claim up to £1,000 per calendar year for registered charities that meet the eligibility criteria.

8 With household income less than £25,000 and who meet Programme eligibility criteria.

9 Recruitment of new students onto the Scholars programme was cancelled in 2020 due to the COVID-19 pandemic.

	2018 Achieved	2019 Achieved	2020 Achieved	2020 Target
Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations	3,113	2,929	2,787	2,500
Share of social bank accounts we support	33%	31.3%	28.8%⁴	1 in 4
Annual commitment to Credit Unions ⁵ for them to provide additional sustainable lending for their customers across the UK	£5.6m	£1m	N/A	N/A
Number of colleague volunteering hours supporting community projects (with a minimum of 50% used to support skills-based activity such as mentoring) ⁶	235,201	246,603 (52%)	564,273* (42%)	720,000* (50%)
Amount raised by colleagues and communities for our charitable fundraising partners (including Matched Giving ⁷ from the Group's independent charitable Foundations)	£3.8m	£2.3m	£8.5m*	£6m*
Number of Social Entrepreneurs supported through the Lloyds Bank and Bank of Scotland Social Entrepreneurs Programmes	236	246	721*	700*
Number of individuals, SMEs and charities trained in digital skills, including internet banking	700,232	738,504	1.8m*	1.8m*
Number of undergraduates from lower-income ⁸ households supported through our Lloyds Scholars Programme	138	139	277*⁹	405*
Number of internal apprenticeship positions created within the Group that result in permanent employment	1,490	1,103	3,495*	2,500*
Number of manufacturing apprentices, graduates and engineers trained as a result of our £1m annual investment in the Lloyds Bank Advanced Manufacturing Training Centre	354	915*	1,211*	750*
Percentage of senior roles to be held by women	35.3%	36.8%	37%	40%
Percentage of roles held by Black, Asian and Minority Ethnic colleagues	9.5%	10.2%	10.6%	10%
Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues	6.4%	6.7%	7.7%	8%

* Cumulative 2018–2020

Metrics highlighted in bold are priority metrics for 2020.

Appendix 4 – Principles for Responsible Banking Report

In September 2019, the United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking. Lloyds Banking Group is a founding signatory of the Principles, joining banks from around the world to build a more sustainable future.

We recognise that change is happening. Our economies are becoming greener and the Principles provide a single framework that embeds sustainability at strategic, portfolio and transactional levels across all business areas. To continue our role in the UK economy in the 21st century, Lloyds Banking Group will show how it is meeting society's changing needs and demands by aligning our actions to those Principles.

This is the first Lloyds Banking Group Principles for Responsible Banking Report and is an indication of our progress in implementing the Principles. This work further supports our efforts to be part of a responsible banking industry integral to serving an inclusive society that uses its natural resources sustainably. We want our products, services and relationships to support and accelerate the changes needed in our economies and lifestyles to achieve shared prosperity for both current and future generations.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Lloyds Banking Group is an integrated UK financial services provider. We are the largest UK retail and commercial financial services provider with approximately 25 million customers and a presence in nearly every community within the UK.</p> <p>The Group has a unique customer proposition enabling us to serve all of the financial needs of our customers. We operate multiple brands through three core divisions:</p> <ul style="list-style-type: none"> ➔ Retail ➔ Commercial Banking ➔ Insurance and Wealth <p>The Group's main business activities include retail and commercial banking, general insurance and long-term savings, provided through multiple well recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows. More detail of the nature of the Banks business model and services is available on page 3 of this Report and page 12-13 of the 2020 Annual Report and Accounts.</p>	<p>Page 3, About Lloyds Banking Group, of the 2020 ESG Report</p> <p>Pages 12–13 of the 2020 Lloyds Banking Group Annual Report and Accounts</p>
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>As part of the regular annual strategy meeting reviewing the Group's strategic context and direction, the Board and the senior management took part in a discussion on the evolving obligations to the society of the future, and how the Group can play a more active role in responding to societal challenges in line with its purpose of Helping Britain Prosper. Recognising the continued need to support the people, businesses and communities across the UK through the pandemic, the short-term response focuses on helping Britain to recover, whilst establishing a longer-term foundation for the Group to play a role in building a sustainable and inclusive society and economy.</p> <p>Our new focus for 2021 of Helping Britain Recover allows the Group to focus our business strategy, harness our expertise within the Group to make an impactful contribution to addressing some of the issues highlighted in the SDGs, and assist in building a more inclusive and sustainable economy.</p> <p>Through our societal commitments published externally and wider ESG and responsible business activities, we are actively supporting the UN's sustainable development agenda, and supporting the UK in working towards the United Nations Sustainable Development Goals.</p> <p>Our unique position within the UK economy means that the successful transition to a more sustainable, low carbon economy is of strategic importance to us. We support the aims of the 2015 Paris Agreement; the UK Government's Net Zero target and Ten Point Plan for a Green Industrial Revolution; and the recommendations of the TCFD.</p>	<p>Pages 6–8, Our Purpose and pages 14–18, Strategic Review 2021, of the 2020 ESG Report</p>

► Appendix 4 – Principles for Responsible Banking Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>Principle 2: Impact and Target Setting We will work to continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>		
<p>2.1 Impact Analysis:</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) <u>Scope</u>: The bank's core business areas, products/ services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) <u>Context & Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Scale and intensity/salience of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/ salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> ➔ Identified and disclosed its areas of most significant (potential) positive and negative impact ➔ Identified strategic business opportunities in relation to the increase of positive impacts/ reduction of negative impacts 	<p>Engaging and responding to stakeholders is fundamental to being a responsible business. Each year we gather a wide range of views through our formal materiality assessment with our stakeholders, which guides both our strategy and reporting. 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 social media, such as digital broadcasts. We conduct a dedicated responsible business materiality assessment every year to help us shape our corporate reporting and inform our strategic thinking. More detail on our material issues identified through this process can be located on page 9 and 16 of this report.</p> <p>As part of the regular annual strategy meeting reviewing the Group's strategic context and direction, the Board and the senior management took part in a discussion on the evolving obligations to the society of the future, and how the Group can play a more active role in responding to societal challenges in line with its purpose of Helping Britain Prosper.</p> <p>Building on these discussions, working with external advisers such as Social Finance and influenced by thinking of organisations such as Blueprint for Better Business, the Group reviewed societal trends shaping the lives and prospects for individuals and families in the UK, and identified key areas of focus where the Group could play a more prominent role.</p> <p>Alongside this, a strategic framework enabling the incorporation of societal considerations into the business operations was developed to assist in the strategy development. Based on the outcomes of the Board and senior management discussions, the Group developed both short and medium-term societal responses as part of formulation of business plans under the Strategic Review 2021.</p> <p>Recognising the continued need to support the people, businesses and communities across the UK through the pandemic, the short-term response focuses on helping Britain to recover, whilst establishing a longer-term foundation for the Group to play a role in building a sustainable and inclusive society and economy.</p> <p>Our commitments for 2021 are summarised in Helping Britain Recover and can be found on pages 17 – 18 of this report.</p> <p>We will continue to build on our strengths to identify new opportunities to contribute to building a more sustainable and inclusive society and take a leadership role to contribute and realise positive societal and business benefits.</p> <p>To support our efforts, we will continue to embed societal considerations into our Group strategy, decision-making, processes and culture and evaluate our societal impact.</p> <p>We have considered and consulted a wide range of stakeholders when developing our societal response and our Helping Britain Recover commitments.</p>	<p>Page 9, Understanding the issues that matter to our stakeholders, of the 2020 ESG Report</p> <p>Pages 14– 8, Strategic Review 2021, of the 2020 ESG Report</p>

► Appendix 4 – Principles for Responsible Banking Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.		
	We recognise that the focus of the Group's purpose must evolve in response to the current environment and changing customer needs and expectations.	
	With our evolution of strategy, we will further embed our purpose across all of our activities. This will ensure we contribute to creating an environmentally sustainable and inclusive future for the UK and by doing so build a successful and sustainable business. The global pandemic will have lasting social and economic effects on the United Kingdom.	
	Its impact has been felt by everyone, whether through financial hardship, reduced choices, mental distress or personal loss. Our focus will therefore be to Help Britain Recover, and we are committed to working with others in five areas where we can make the most difference.	
2.2 Target Setting	As a signal of our commitment we set an ambitious goal in 2020, working with customers, Government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, on the path to net zero by 2050 or sooner, supporting both the UK Government's ambition and the 2015 Paris Agreement.	Page 19–35, Helping Britain transition to a sustainable low carbon economy, and page 39, Championing inclusion and diversity, of the 2020 ESG Report
Show that the bank has set and published a minimum of two S pecific, M easurable (can be qualitative or quantitative), A chievable, R elevant and T ime-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.	In July 2020, our Group Chief Executive, António Horta-Osório launched our Race Action Plan, which includes a new public goal to specifically increase Black representation in senior roles from 0.6 per cent at senior grades to at least 3 per cent by 2025 to align with the overall UK labour market.	
Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.	In addition to the above target we have specific targets for 2021 included in our focus on Helping Britain Recover committing to working with others in five focus areas where we can make the most difference.	
Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	Through Helping Britain Recover and wider responsible business activities, we will be actively supporting the UN's sustainable development agenda, using our key skills to focus our resources on making an impactful benefit to the UK and working towards the realisation of the UN Sustainable Development Goals (UN SDGs).	
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.		
	We will report on our progress in meeting our targets in our 2021 Annual Report and ESG Report.	

► Appendix 4 – Principles for Responsible Banking Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>The Board and Executive Management team agreed in June 2020 that the Group's purpose should be firmly embedded at the heart of our strategy, with our immediate focus on Helping Britain Recover framing our strategic plan for 2021 as well as the associated priorities regarding our customer propositions, colleagues and Group capabilities.</p> <p>Teams across the Group then helped translate these priorities into more detailed initiatives, ensuring that Helping Britain Recover remains the key focus.</p> <p>At an extended Board session in November, attended by both the then incumbent and incoming Chairmen, these initiatives were subsequently discussed in the context of the investment required in 2021 and the Group's longer-term financial plan.</p> <p>Since then, the Board have supported the development of detailed plans, with measurable outcomes designed to support successful delivery and mitigate execution risks, as well as the communication approach for our evolution of strategy.</p>	<p>Pages 3–45 of the 2020 Lloyds Banking Group Annual Report and Accounts.</p> <p>Pages 17–18, Helping Britain Recover, of the 2020 ESG Report</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>We will report on our progress in meeting our targets in our 2021 Annual Report and 2021 ESG Report.</p>		
<p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented /needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>As a signal of our commitment we set an ambitious goal in 2020, working with customers, Government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, on the path to net zero by 2050 or sooner, supporting both the UK Government's ambition and the 2015 Paris Agreement.</p> <p>To support our overall climate ambition, we set ourselves seven leadership ambitions to support the UK's transition to a sustainable future.</p> <p>In 2020, we have focused on enhancing our green finance products and services to achieve our ambitions. Detail on actions taken to support the target are included on pages 20–23 of the 2020 Environmental, Social and Governance (ESG) Report.</p> <p>In July 2020, our Group Chief Executive, António Horta-Osório launched our Race Action Plan, which includes a new public goal to specifically increase Black representation in senior roles from 0.6 per cent at senior grades to at least 3 per cent by 2025 to align with the overall UK labour market.</p> <p>Our progress on our implementation of this plan can be found on page 41 of the 2020 Environmental, Social and Governance (ESG) Report.</p> <p>Our specific 2021 targets related to our Helping Britain Recover commitments will be reported in our 2021 Annual Report and Accounts and 2021 ESG Report.</p>	<p>Pages 19–22, Helping Britain transition to a sustainable low carbon economy, and page 41, Our 2020 Progress on our Race Action Plan, of the 2020 ESG Report</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.</p>		
<p>We have made progress on our climate ambitions and Race Action Plan commitments and have reported against this performance in the 2020 ESG Report. Our specific 2021 targets related to our Helping Britain Recover commitments will be reported in our 2021 Annual Report and Accounts and 2021 ESG Report.</p>		

► Appendix 4 – Principles for Responsible Banking Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>Principle 3: Clients and Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>The Group is committed to providing meaningful support to meet the needs of our customers, aiming to provide positive outcomes and working to mitigate or reduce the risk of financial harm. The COVID-19 pandemic has magnified existing challenges faced by customers, and brought new challenges affecting health, income, and relationships.</p> <p>We have various policies and practices related to promoting responsible relationships with our customers. Our Values and Behaviours alongside the Financial Conduct Authority's Conduct rules set out the expectations of colleagues and colleagues are encouraged to make decisions aligned to these. The Group's Code of Ethics and Responsibility is available on our website.</p> <p>Colleagues are encouraged to speak up, challenge and act if they witness anything inappropriate and we provide colleagues with a variety of channels to do this.</p> <p>The Group believes in the importance of doing business in ways that value and respect the human rights of our colleagues, customers, business partners and communities affected by our business.</p> <p>The Group takes a range of mitigating actions with respect to conduct risk and remains focused on delivering a leading customer experience. Our goal, in line with our purpose of Helping Britain Prosper, is to support customers whenever they have cause to complain. Customers trust us to keep their money and data safe, and the Group deploys sophisticated technology to protect both.</p>	<p>Pages 44 Assisting our Customers, of the 2020 ESG Report</p> <p>Pages 61–64, Conducting our Business Responsibly of the 2020 ESG Report</p>
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>At Lloyds Banking Group we have an ongoing commitment to improving the financial wellbeing for customers, colleagues and communities through the work we do.</p> <p>Access to financial services and their effective use play a central role in individuals', households' and society's well-being.</p> <p>The Group is committed to providing meaningful support to meet the needs of our customers, aiming to provide positive outcomes and working to mitigate or reduce the risk of financial harm.</p> <p>The pandemic has magnified existing challenges faced by customers, and brought new challenges affecting health, income, and relationships. By adapting our support, proactively contacting customers, and using insight to understand what their needs are, we continued to support customers in challenging times.</p> <p>Supporting businesses of all types and sizes is fundamental to helping Britain to both prosper and recover. The pandemic has had a profound impact on the way we live our lives and on the global economy. We remain fully focused on helping our customers and the UK economy recover, in collaboration with Government and our regulators.</p> <p>Detailed actions and plans are included in detail 2020 Environmental, Social and Governance (ESG) Report.</p>	<p>Pages 44 Assisting our Customers, of the 2020 ESG Report</p> <p>Pages 45 Supporting businesses and SMEs, of the 2020 ESG Report</p> <p>Pages 50 Building financial resilience, of the 2020 ESG Report</p>

► Appendix 4 – Principles for Responsible Banking Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>		
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>We have considered and consulted a wide range of stakeholders when developing our societal response and our Helping Britain Recover commitments.</p> <p>Lloyds Banking Group has brought together more than 900 businesses, community members, policy makers and subject-matter experts across the UK's nations and regions to explore how we can help the UK recover from the impact of coronavirus.</p> <p>We have committed to various strategic partnerships to facilitate the implementation of our ambitions and targets highlighted throughout the 2020 ESG Report.</p>	<p>Page 16 Helping Britain Recover, of the 2020 ESG Report</p> <p>Pages 45, 47, Supporting businesses and SMEs, of the 2020 ESG Report</p> <p>Pages 19–64 of the 2020 ESG Report</p>
<p>Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p>		
<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/ is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>Our Board level Responsible Business Committee (RBC) oversees the Group's performance as a responsible business and delivery of our sustainability strategy.</p> <p>Both the Board and RBC are supported by the Group Executive Committee, which is in turn supported by a dedicated Sustainability Committee.</p>	<p>Page 8, Responsible Business Governance and Accountability, of the 2020 ESG Report</p>
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, among others.</p>	<p>As the Group enters evolves it's strategy and focus turns towards Helping Britain Recover, the Remuneration Committee has thought carefully about the right choice of measures that should be included within a scorecard for 2021 to ensure Executive remuneration remains aligned to the Group's new purpose and strategic objectives.</p>	<p>Page 60, Supporting our Colleagues, of the 2020 ESG Report</p>

► **Appendix 4 – Principles for Responsible Banking Report**

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/link(s) to bank's full response/relevant information
<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>Our Board level Responsible Business Committee (RBC) oversees the Group's performance as a responsible business and delivery of our sustainability strategy.</p> <p>Both the Board and RBC are supported by the Group Executive Committee, which is in turn supported by a dedicated Sustainability Committee.</p>	<p>Page 8, Responsible Business Governance and Accountability, of the 2020 ESG Report</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>Lloyds Banking Group has established a governance structure for ensuring that the Principles are effectively implemented, integrated into existing business strategy and commitments, including the setting and monitoring of targets.</p>		
<p>Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>We regularly review our strategy in light of our changing operating environment to ensure that our focus remains the right one for our customers, colleagues, shareholders and broader society. Over the past two years we have considered how we can build on the Group's successful transformation, with a defining purpose further embedded in a refreshed strategy that can be at the heart of Britain's recovery while delivering sustainable value to all our stakeholders.</p> <p>Since 2011, we have significantly transformed our business for the benefit of our customers and other key stakeholders, while also positioning us well to succeed in a digital world. We are not complacent, however, and recognise that we need to continually evolve in response to increasing customer and societal expectations, new technologies and a rapidly changing competitive environment. Most importantly, we also recognise that we have a critical role to play in Helping Britain Recover from the COVID pandemic.</p> <p>The Board have supported the development of detailed plans, with measurable outcomes designed to support successful delivery and mitigate execution risks, as well as the communication approach for our evolution of strategy.</p> <p>Teams across the Group then helped translate these priorities into more detailed initiatives, ensuring that Helping Britain Recover remains the key focus.</p> <p>Our focus will therefore be to Help Britain Recover, and we are committed to working with others in five areas where we can make the most difference.</p>	<p>Pages 36–41 of the 2020 Lloyds Banking Group Annual Report and Accounts</p> <p>Pages 14–18 of the 2020 ESG Report</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p>		
<p>Lloyds Banking Group recognise that the focus of the Group's purpose must evolve in response to the current environment and changing customer needs and expectations. With our evolution of strategy, we will further embed our purpose across all of our activities. This will ensure we contribute to creating an environmentally sustainable and inclusive future for the UK and by doing so build a successful and sustainable business.</p>		

Appendix 5 – Global Reporting Initiative content index

Our ESG Report and this accompanying Index have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. This GRI Index covers our material topics and follows GRI Standards 2016 and, where relevant, 2018. Our impacts mainly occur outside our organisation, the management of which is principally through our Helping Britain Prosper Plan and in 2021 the new focus areas of Helping Britain Recover. Additionally in 2020 we elevated the wellbeing and safety of our colleagues, amongst other topics, to reflect the relevance of the pandemic to our business.

We use the GRI framework, as well as others such as TCFD and SASB, to maintain the rigour of our annual ESG reporting. The reporting follows the calendar year (noting that our environmental indicators relate to the period 1 October to 30 September) and covers to all of our legal entities. Note that occupational health and safety data covers all employees and workers. Diversity data – from our HR system – covers all permanent colleagues including international colleagues, those on parental/maternity leave, absent without leave and long-term sick; however, it excludes contractors, Group non-executive directors, temps and agency staff.

We include information and data related to our strategy, governance, key initiatives and processes, performance and progress against our wider Responsible Business goals and our purpose to Help Britain Prosper. The main elements of our reporting suite are listed here; they, along with additional sustainability-related information, can be found in the [Downloads](#) page of our website:

- ➔ 2020 Lloyds Banking Group Annual Report and Accounts (ARA), including our new focus of Helping Britain Recover
- ➔ 2020 Lloyds Banking Group ESG Report (ESG Report)
- ➔ Helping Britain Prosper Plan
- ➔ 2020 Modern Slavery and Human Trafficking Statement
- ➔ 2019 Human Rights Policy Statement
- ➔ 2020 Reporting Criteria

General Standard Disclosures

DISCLOSURE	DESCRIPTION	ESG REPORTING REFERENCES 2020	FURTHER COMMENTS
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	ARA, Front Cover, Inside Front Cover	
102-2	Primary brands, products, and services	ARA, page 12, pages 52–55 Our Brands	
102-3	Location of the organisation's headquarters	ARA, Back Cover	
102-4	Countries of operation	ARA, Inside Front Cover	The Group primarily operates in the UK. Its main overseas operations are in the Americas and Europe and are not significant in comparison.
102-5	Nature of ownership and legal form	ARA, Inside Front Cover	
102-6	Markets served	ESG Report, page 3 ARA, page 8, pages 40–41, pages 53–55 Our External Environment	
102-7	Scale of organisation	ARA, Inside Front Cover, pages 8–9, page 12, page 22	
102-8	Information on employees and other workers	ESG Report, pages 68–69	Employees are mainly in the UK and its region (Employee numbers include PPI; the UK number includes Guernsey, IOM, Jersey and Gibraltar). The Group's activities are not, to any significant extent, performed by workers who are not employees. There are no significant variations in the numbers reported in Disclosures 102-8 a, b and c.
102-9	The organisation's supply chain	ESG Report, page 64 ARA, page 51 Modern Slavery and Human Trafficking Statement , pages 6–7	

► Appendix 5 – Global Reporting Initiative content index

DISCLOSURE	DESCRIPTION	ESG REPORTING REFERENCES 2020	FURTHER COMMENTS
102-10	Significant changes during the reporting period	ARA, page 4, page 57	No significant changes in the categories listed in disclosure 102-10.
102-11	Whether and how the precautionary approach or principle is addressed	ARA, page 4, page 6, page 46, pages 57–58	
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	ESG Report, page 5 Human Rights Policy Statement 2020 , page 3 Modern Slavery and Human Trafficking Statement , page 3	<p>Signatories to include:</p> <ul style="list-style-type: none"> 📍 Equator Principles 📍 UN Global Compact 📍 UNEP FI Principles for Sustainable Insurance 📍 UN Principles for Responsible Investment 📍 UNEP FI Principles for Responsible Banking 📍 Mental Health Accessibility Standards 📍 Financial Abuse Code of Practice 📍 Climate Change Group Initiatives: RE100; EP100; EV100 <p>Recognise and guided by:</p> <ul style="list-style-type: none"> 📍 UN Sustainable Development Goals 📍 Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises 📍 UN's Guiding Principles on Business and Human Rights 📍 International Bill of Human Rights 📍 International Labour Organisation's (ILO) Core Labour Standards and its Tripartite Declaration of Principles
102-13	Memberships of associations and national or international advocacy	ESG Report, page 24, page 64 Trade Association Membership Human Rights Policy Statement , page 3 Modern Slavery and Human Trafficking Statement , page 3	<p>Key memberships include:</p> <ul style="list-style-type: none"> 📍 Cambridge Institute for Sustainability Leadership 📍 University of Cambridge Banking and Environment Initiative – Bank 2030 📍 PRA and FCA Climate Financial Risk Forum 📍 Business Integrity Forum of Transparency International 📍 Coalition for Climate Resilient Investment 📍 Joint Fraud Taskforce 📍 Cyber Defence Alliance 📍 Financial Services Cyber Collaboration Centre 📍 Cross-Market Operational Resilience group 📍 Apprenticeship Diversity Champions network 📍 Joint Money Laundering Intelligence Taskforce 📍 Business Disability Forum 📍 Department for Work and Pensions Disability Confident Leadership 📍 UK Living Wage Foundation

► Appendix 5 – Global Reporting Initiative content index

DISCLOSURE	DESCRIPTION	ESG REPORTING REFERENCES 2020	FURTHER COMMENTS
STRATEGY AND ANALYSIS			
102-14	A statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation	ESG Report, page 4 ARA, pages 4–6, page 10 A year that changed the world 2019 CEO video [2:02 minutes in]	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	ESG Report, page 7, page 9, page 26, pages 36–38, pages 61–64 ARA, page 12 Code of Responsibility Inclusion and Diversity	
Governance			
102-18	Governance structure, including committees of the highest governance body	ESG Report, page 8 ARA, page 22	
Stakeholder engagement			
102-40	Stakeholder groups engaged by the organisation	ESG Report, page 9 ARA, page 31 Reporting criteria , page 3 External environment	
102-41	Percentage of total employees covered by collective bargaining agreements	ESG Report, page 60 Modern Slavery and Human Trafficking Statement page 4	
102-42	Basis for identification and selection of stakeholders with whom to engage	ESG Report, page 9, page 19, page 25, page 33, pages 63–64 ARA, page 46 Modern Slavery and Human Trafficking Statement page 5, page 11	
102-43	Approach to stakeholder engagement	ESG Report, page 9, page 44 ARA, page 20, page 31 Working with suppliers Code of supplier responsibility	
102-44	Key topics and concerns that have been raised, and how the organisation has responded	ESG Report, page 9 ARA, page 5, page 20, pages 32–35, page 46, page 48, pages 50–51 The Big Conversation [report]	

► **Appendix 5 – Global Reporting Initiative content index**

DISCLOSURE	DESCRIPTION	ESG REPORTING REFERENCES 2020	FURTHER COMMENTS
Report Practice			
102-45	Entities included in the consolidated financial statements	ARA, page 205	
102-46	Defining report content and topic boundaries	ESG report, page 9 Reporting criteria , page 1, page 3, page 5, pages 7–11	
102-47	List of material topics	ESG Report, page 9	
102-48	Restatements of information	ESG report pages 34–35, pages 70–71 Reporting criteria , page 9	
102-49	Changes in reporting	The COVID-19 pandemic has raised the relative prioritisation of colleague health, safety, and wellbeing, as well as colleague training. Additionally, a new focus area is the adaptation by the Group to the pandemic, and the impact of it on the Group. Some intensification of emphasis is placed on existing material topics such a diversity and financial resilience.	
102-50	Reporting period	2020 calendar year ESG Report, page 34	
102-51	Date of most recent report	2020	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	Contact Us	
102-54	Claims of reporting in accordance with the GRI Standards	ESG Report, page 81	
102-55	GRI content index	ESG Report, page 81 Downloads	
102-56	External assurance	ESG Report, page 89 (also pages 34–35, page 68, pages 70–72)	Selected data subject to Limited ISAE 3000 (revised) and ISAE 3410 assurance. Deloitte LLP Independent Assurance Report.

► Appendix 5 – Global Reporting Initiative content index

ECONOMIC

SPECIFIC STANDARD DISCLOSURES

200: ECONOMIC TOPICS MANAGEMENT APPROACH (MA)

RELEVANT GRI CATEGORY	RELATED MATERIAL TOPIC	MA REFERENCES 103-1; 103-2; 103-3	FURTHER COMMENTS
201	Transition to a low-carbon economy	ESG Report, pages 20–24, 26–31, 32–35, 36–38 ARA, pages 20–24, page 57, Risk management ; The Big Conversation ; Financing a green future together ; External Sector Statements	
203	Access to skills	ESG Report, pages 45–46, page 50, page 52, pages 54–55 ARA, page 17, pages 27–28, page 38, page 49 HBP Plan ; The Big Conversation ; The Lloyds Bank Advanced Manufacturing Training Centre	
203	Support for businesses and SMEs	ESG Report, pages 17–18, pages 20–23, page 45, page 50, page 54 ARA, page 27, page 51 HBP Plan ; The Big Conversation ; Financing a green future (including businesses and agriculture)	
203	Supporting vulnerable customers and vulnerable groups	ESG report, pages 17–18, page 20–23, page 48, pages 50–53, page 62 ARA, page 27–28 Lloyds Bank Academy Modern Slavery and Human Trafficking Statement , pages 3-5, page 8	
203	Impact of the COVID-19 pandemic on the Group	ESG Report, pages 15–18, pages 58–60, page 64 ARA, page 32–33, pages 36–40, page 58 Agile working Adapting to new ways of working	

► Appendix 5 – Global Reporting Initiative content index

200: ECONOMIC TOPICS			
GRI STANDARDS/Date of issue	RELATED MATERIAL TOPIC	REFERENCES 2020	FURTHER COMMENTS
GRI 201: Economic Performance 2016			
201-2	Financial implications and other risks and opportunities due to climate change	Transition to a low-carbon economy	ESG Report, pages 19–20, pages 26–28, pages 29–31, page 34, page 73 ARA, pages 20–23 Financing a green future together External Sector Statements
GRI 203: Indirect Economic Impacts 2016			
203-2	Significant indirect economic impacts	Access to skills	ESG Report, page 14, pages 45–46, page 50, page 52, page 54 ARA, pages 27–28 HBP impact database – Volunteering, Digital skills HBP Plan – Digital Skills Lloyds Bank UK Consumer Digital Index Lloyds Bank UK Business Digital Index
203-2	Significant indirect economic impacts	Support for businesses and SMEs	ESG Report, page 13, pages 45–47, page 67 ARA, page 27 HBP Plan ; The Big Conversation [report]; Helping Britain Recover ; Responsible sourcing and supplier management ; Code of Supplier Responsibility
203-2	Significant indirect economic impacts	Impact of the COVID-19 pandemic on the Group	ESG Report, pages 17–18, page 57, pages 58–60, pages 62–64 ARA, pages 32–33, pages 36–41 Reporting Criteria , page 5 Agile working Adapting to new ways of working Coronavirus Updates
203-2	Significant indirect economic impacts	Supporting vulnerable customers and vulnerable groups	ESG report, pages 17–18, page 20, pages 45–48, pages 50–56, page 58, page 60, page 64, pages 67–68, page 74 ARA, pages 27–29, page 37 HBP Plan ; HBP Plan performance ; The Big Conversation [report]; Helping Britain Recover ; Modern Slavery and Human Trafficking Statement , page 12
203-2	Significant indirect economic impacts	Environmental risks in lending	ESG Report, page 73 ARA, page 24

► Appendix 5 – Global Reporting Initiative content index

ENVIRONMENTAL

SPECIFIC STANDARD DISCLOSURES

300: ENVIRONMENTAL TOPIC MANAGEMENT APPROACH (MA)

RELEVANT GRI CATEGORY	RELATED MATERIAL TOPIC	MA REFERENCES 103-1; 103-2; 103-3	FURTHER COMMENT
305	Transition to a low-carbon economy	ESG Report, pages 20-24, 26–31, 32–34, 36–38 Reporting criteria pages 7–9 ARA, pages 20–23, 39, 113–114 Risk management ; The Big Conversation ;	
305, 307	Environmental risks in lending	ESG Report, page 36, pages 63–64 ARA, page 24 Code of Ethics and Responsibility The Lloyds Banking Group Sector Statements	See also Scottish Widows Stewardship Policy ; Scottish Widows Exclusions Policy ; Scottish Widows Responsible Investment Framework

300: ENVIRONMENTAL TOPICS

GRI STANDARDS/Date of issue of Standard	RELATED MATERIAL TOPIC	REFERENCES 2020	FURTHER COMMENTS
305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	Transition to a low-carbon economy	ESG Report, pages 34–35, 71 Reporting criteria page 7 ARA, pages 113–114
305-2	Energy indirect (Scope 2) GHG emissions	Transition to a low-carbon economy	ESG Report, pages 34–35, 71 Reporting criteria page 8 ARA, pages 113–114
305-3	Other indirect (Scope 3) GHG emissions	Transition to a low-carbon economy; Environmental risks in lending	ESG Report, pages 34–35, 71 Reporting criteria page 9 ARA, pages 21–22, pages 113–114
305-4	GHG emissions intensity	Transition to a low-carbon economy	ESG Report, pages 71–72 Reporting criteria pages 7–8 ARA, page 113
307-1	Environmental compliance	Environmental risks in lending	ESG Report, pages 36–38 ARA, pages 23–24 The Lloyds Banking Group Equator Principles table ; Lloyds Banking Group Principles for Responsible Banking Report
			No non-compliance with environmental laws and/or regulations recorded.

► Appendix 5 – Global Reporting Initiative content index

SOCIAL

SPECIFIC STANDARD DISCLOSURES

400: SOCIAL TOPIC MANAGEMENT APPROACH (MA)

RELEVANT GRI CATEGORY	RELATED MATERIAL TOPIC	MA REFERENCES 103-1; 103-2; 103-3	FURTHER COMMENT
403	Health and wellbeing of colleagues	ESG Report, page 16, pages 57–60 ARA, page 31 Human Rights Policy Statement page 5, page 7 Health and Safety Policy (unpublished) Helping Britain Recover	
403	Adaptation to ways of working due to the pandemic	ESG Report, page 4, pages 17–18, page 57 ARA, page 35, page 45, pages 58–59 Helping Britain Recover	
403	Impact of the COVID 19 pandemic on the Group	ESG Report, page 4, pages 15–18, page 57, pages 58–60, pages 61–64 ARA, pages 32–33 Agile working Adapting to new ways of working	
404	Colleague training	ESG Report, page 59 ARA, page 31 Colleague Policy (unpublished) Code of Responsibility	
405	Race action and inclusion	ESG Report, pages 39–43 ARA, pages 25–26, page 31 Board diversity policy Race Action Plan Code of Supplier Responsibility 2020 Human Rights Policy Statement Inclusion and diversity Gender pay gap report 2020 Ethnicity pay gap report 2020	
413	Supporting vulnerable customers and vulnerable groups	ESG Report, pages 17–18, page 20, page 44, page 48, pages 50–53, pages 61–64 ARA, page 31 Financial inclusion The Big Conversation Community programmes Charitable Foundations Lloyds Bank Academy Modern Slavery and Human Trafficking Statement , pages 3–5, page 8	

► Appendix 5 – Global Reporting Initiative content index

SPECIFIC STANDARD DISCLOSURES			
400: SOCIAL TOPIC MANAGEMENT APPROACH (MA)			
RELEVANT GRI CATEGORY	RELATED MATERIAL TOPIC	MA REFERENCES 103-1; 103-2; 103-3	FURTHER COMMENT
413	Financial resilience	ESG Report, page 50, pages 52–53 ARA, page 28 The Big Conversation Financial inclusion Digital inclusion Volunteering HBP Plan – impact database: Social housing, First-time buyers, Helping people save	
413	Access to skills	ESG Report, page 50, pages 53–54 ARA, page 17, pages 27–28 HBP Plan ; Community programmes ; Charitable Foundations	
413	Financial education	ESG Report, page 50 ARA, page 28 Financial inclusion ; Lloyds Bank Academy ; Lloyds Bank UK Consumer Digital Index ; Transformation with Tech Report	
418	Customer data security	ESG Report, page 64 ARA, pages 30–31 Business model ; Protect yourself from fraud hub [Lloyds Bank]	

► Appendix 5 – Global Reporting Initiative content index

SPECIFIC STANDARD SUPPLEMENTAL MA DISCLOSURES – 2018 Occupational Health and Safety (OHS) Standard update

2018 OHS Standard MA disclosures	RELATED MATERIAL TOPIC	MA References 2020	FURTHER COMMENT
403-1	Occupational health and safety management system	Health and wellbeing of colleagues Adaptation to ways of working due to the pandemic	ESG Report, page 16, pages 57–60 ARA, page 29, page 31 Human Rights Policy Statement page 5, page 7 Group Health, Safety and Fire Policy (unpublished)
403-2	Hazard identification, risk assessment, and incident investigation		ESG Report, page 57 Group Health, Safety and Fire Policy (unpublished)
403-3	Occupational health services	ESG report, page 57, page 59	
403-4	Worker participation, consultation, and communication on occupational health and safety	ESG report, page 16, page 43, page 57, page 59 ARA, page 37, page 45, page 48	
403-5	Worker training on occupational health and safety	ESG Report, pages 58-60 Group Health, Safety and Fire Policy (unpublished)	
403-6	Promotion of worker health	ESG report, page 16, page 43, page 57, page 59 ARA, page 45, page 48	

Notes:

The definition of a ‘worker’ for LBG is an employee in an employment relationship with the organization according to national law or its application. The Group Health, Safety and Fire Policy applies to all colleagues including contractors, temporary workers, university and work experience placements and suppliers to Lloyds Banking Group.

Disclosure 403-7 is excluded is omitted. Reason for omission: it is not relevant because none of the Group’s operations, products or services are directly linked to ‘significant occupational health and safety impacts by its business relationships’ on any workers.

Disclosures 403-1 to 403-6 are supplementary MA disclosures from the OHS Standard revision in 2018.

400: SOCIAL TOPICS

GRI STANDARDS/Date	RELATED MATERIAL TOPIC	REFERENCES 2020	FURTHER COMMENTS
403: Occupational Health and Safety 2018			
403-9	Work-related injuries	Health and wellbeing of colleagues	ESG Report, page 65 ARA, page 29, page 31 Appendix 1: 2020 ESG Data Sheet
			403-9a(i) and (ii): zero fatalities; zero high-consequence injuries 403-9c: In LBG operations, there are no work-related hazards that cause high-consequence risks in the workplace. 403-9f: Data excludes contractors, Group non-executive directors, temps and agency staff.

► Appendix 5 – Global Reporting Initiative content index

400: SOCIAL TOPICS

GRI STANDARDS/Date	RELATED MATERIAL TOPIC	REFERENCES 2020	FURTHER COMMENTS
403-10	Work-related ill health Health and wellbeing of colleagues	ESG Report, pages 58–60, page 65 ARA, page 29, page 45	No worker fatalities are recorded from ill-health or injury. Ill-health data are part of RIDDOR reporting, p65. We report extensive mental and physical health support and benefits. We do not report detail as required by GRI [403-10 (a) ii, (b) ii, (d) or (e)], noting the GRI definition of 'recordable work-related ill-health'. Reason for omission: the data is not broken down in our reporting system in this way, and the necessary agile working arrangements are severely limiting evidence of causality.
403-10	Work-related ill health Adaptation to ways of working due to the pandemic Impact of the COVID 19 pandemic on the Group	ESG Report, pages 4–5, page 57, pages 59–60 ARA, page 29, page 45, page 48 Reporting Criteria , page 5 Agile working ; Adapting to new ways of working	
404: Training and Education 2016			
404-2	Programs for upgrading employee skills and transition assistance programs Colleague training Adaptation to ways of working due to the pandemic	ESG Report, page 57, page 60 ARA, page 29, page 45	
405: Diversity and equal opportunity 2016			
405-1	Composition of governance bodies and employees Race action and inclusion	ESG Report, page 8, page 39, page 69 ARA, pages 25-26 Ethnicity pay gap report 2020 pages 8–9 Race Action Plan Reporting Criteria , page 2	Group data excludes contractors, Group non-executive directors, temps and agency staff. Reason for omission: the reason for their exclusion is due to availability of information.
405-2	Ratio of basic salary and remuneration of women to men Race action and inclusion	ESG Report, page 69 Gender pay gap report 2020	

► Appendix 5 – Global Reporting Initiative content index

400: SOCIAL TOPICS			
GRI STANDARDS/Date	RELATED MATERIAL TOPIC	REFERENCES 2020	FURTHER COMMENTS
413: Local communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Supporting vulnerable customers and vulnerable groups Adaptation to ways of working due to the pandemic	ESG Report, page 11, page 14 ARA, page 29, page 49 Financial inclusion and education Charitable Foundations Tackling mental health issues
413-1	Operations with local community engagement, impact assessments, and development programs	Access to skills	ESG Report, page 50, pages 54–55, page 67 ARA, page 29, page 38–39, page 49 HBP Plan ; Community programmes ; Charitable Foundations
413-1	Operations with local community engagement, impact assessments, and development programs	Financial resilience	ESG Report, page 50, page 53 ARA, page 28 HBP Plan (performance download) Building financial resilience in the agricultural sector NI: building financial resilience after COVID-19
FS14 (elective use of GRI G4 Sector Supplement)	Initiatives to improve access to financial services for disadvantaged people	Support for vulnerable customers and vulnerable groups	ESG report, page 44, page 74 ARA, page 26, page 46 HBP Plan Financial inclusion and education
413-1, FS14	Operations with local community engagement, impact assessments, and development programs Initiatives to improve access to financial services for disadvantaged people	Financial education	ESG report, page 50 HBP Plan (performance download); Financial inclusion ; Lloyds Bank Academy ; Lloyds Bank UK Consumer Digital Index ; Transformation with Tech ARA, page 27 Tackling mental health issues Financial inclusion and education
418: Customer privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer data security	ESG Report, pages 63–64 ARA, page 30 Responsible Business Data Sheet 2019 , page 2 Customer complaints monitoring

Appendix 6 – Sustainability Accounting Standards Board (SASB)

Lloyds Banking Group is reporting using the SASB disclosure framework for the first time in 2020. We continue to review and enhance our methodologies and framework for reporting environmental, social and governance (ESG) performance and, in doing so, we have identified the SASB disclosure framework as being an important reporting tool that addresses the needs of our investors. We anticipate our disclosures will evolve each year and that we will be able to enhance the depth of our reporting against the SASB framework, to include reporting against additional indicators in 2021.

The table below details our disclosures against the SASB standards and indicators. It is noted that SASB is a global framework with, at present, a US-focused approach to defining criteria. Lloyds Banking Group is a UK-focused financial services provider and therefore, where required, certain indicators have been adapted to reflect this. We have adapted these indicators with the intention of preserving the spirit and meaning of the

indicator to allow investors to use the information for decision-making purposes in line with the SASB Framework and Guidelines. If an indicator is applicable across more than one business area or the disclosure is at Group level, this is shown in the table.

We have included references to relevant information in our 2020 Annual Reporting Suite and any supplementary information that may support our disclosures.

Key

ARA: 2020 Lloyds Banking Group Annual Report and Accounts

ESG: 2020 Lloyds Banking Group Environmental, Social and Governance Report

Group-level indicators

The following disclosures are taken from individual standards and disclosed at a Group level to reflect a business-wide approach or apply to more than one business area

Topic	Accounting metrics	Disclosure	SASB code	Topic	Accounting metrics	Disclosure	SASB code
Customer Privacy	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-CF-220a.2	Financial Inclusion & Capacity Building	Amount of loans outstanding qualified to programmes designed to promote small business and community development	Our Helping Britain Prosper Priorities Increased amount of net lending to start-up, SME and Mid-Market businesses ARA, Page 27 ESG, Page 11	FN-CB-240a.1
Data Security	Description of approach to identifying and addressing data security risks	Data risk ARA, Pages 199–200 Protecting customer data and finances ESG, Page 63	FN-CB-230a.2 FN-CF-230a.3		Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers*	The Helping Britain Prosper Plan Share of social bank accounts we support ESG, Page 73	FN-CB-240a.2
	Card-related fraud losses from card-not-present fraud and card-present and other fraud	Operational risk events by risk category (losses greater than or equal to £10,000), excluding PPI ARA, Page 202	FN-CF-230a.2		Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	The Helping Britain Prosper Plan Number of individuals, SMEs and charities trained in digital skills, including internet banking ESG, Page 73 Lloyds Bank Academy ESG, Page 50 We Are Digital Helpline ESG, Page 51 Financial capability ESG, Page 52	FN-CB-240a.4

* Adapted for non-US markets.

► Appendix 6 – Sustainability Accounting Standards Board (SASB)

Topic	Accounting metrics	Disclosure	SASB code	Topic	Accounting metrics	Disclosure	SASB code
Incorporation of Environmental, Social and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance factors in credit analysis	ESG lending and investment ARA, Page 24 ESG, Pages 36–38 Responsible Investment Scottish Widows Helping Britain transition to a sustainable low-carbon economy ARA, Pages 20–23 ESG, Pages 19–35	FN-CB-410a.2	Systemic Risk Management (Insurance)	Exposure to derivative instruments by category: (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	Derivative credit risk exposures ARA, Page 175	FN-IN-550a.1
Policies designed to incentivise Responsible Behaviour	Discussion of products and/or product features that incentivise health, safety, and/or environmentally responsible actions and/or behaviours	ESG lending and investment ARA, Page 24 ESG, Pages 36–38 Responsible Investment Scottish Widows Helping Britain transition to a sustainable low-carbon economy ARA, Pages 20–23 ESG, Pages 19–35	FN-IN-410b.2		Total fair value of securities lending collateral assets	Collateral ARA, Page 328	FN-IN-550a.2
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-CB-510a.1 FN-AC-510a.1		Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	Capital risk ARA, Pages 188–189	FN-IN-550a.3
	Description of whistleblower policies and procedures	Speak Up ARA, Page 104 ESG, Page 61	FN-CB-510a.2 FN-AC-510a.2	System Risk Management (Asset Management & Custodianship)	Description of approach to incorporation of liquidity risk management programmes into portfolio strategy and redemption risk management	Funding and liquidity risk ARA, Page 183	FN-AC-550a.2
Systemic Risk Management	Global Systemically Important Bank score, by category	Minimum requirement for own funds and eligible liabilities (MREL) and G-SIB indicators ARA, Pages 190 and 196	FN-CB-550a.1				

► Appendix 6 – Sustainability Accounting Standards Board (SASB)

Topic	Accounting metrics	Disclosure	SASB code	Topic	Accounting metrics	Disclosure	SASB code
System Risk Management (Asset Management & Custodianship) continued	Total exposure to securities financing transactions	Capital and Risk Management Pillar 3 Report Counterparty credit risk exposures: Analysis by contract type Financial downloads - Lloyds Banking Group plc	FN-AC-550a.3	Discriminatory Lending	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-MF-270b.2
	Net exposure to written credit derivatives	Capital and Risk Management Pillar 3 Report Net derivatives credit exposure Financial downloads - Lloyds Banking Group plc	FN-AC-550a.4				
Selling Practices	Number of complaints filed with the Consumer Financial Protection Bureau*	FCA reportable complaints per 1,000 accounts ARA, Page 15	FN-CF-270a.4	Transparent Information and Fair Advice for Customers (Insurance & Wealth)	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-AC-270a.2
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-CF-270a.5				
Lending Practices	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-MF-270a.3		Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers	Note 36: Other provisions ARA, Pages 284–285 Note 46: Contingent liabilities, commitments and guarantees ARA, Pages 295–296	FN-IN-270a.1

* Adapted for non-US markets.

► Appendix 6 – Sustainability Accounting Standards Board (SASB)

Topic	Accounting metrics	Disclosure	SASB code	Topic	Accounting metrics	Disclosure	SASB code
Employee Diversity and Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Championing inclusion and diversity ARA, Pages 25–26 ESG, Pages 39–43	FN-AC-330a.1	Transparent Information and Fair Advice for Customers (Insurance & Wealth)	Description of approach to informing customers about products and services	Section 172(1) Statement and Statement of Engagement with Other Stakeholders ARA, 46	FN-IN-270a.4 FN-AC-270a.3
Systemic Risk Management	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Capital stress testing ARA, Page 152	FN-CB-550a.2	Transparent Information and Fair Advice for Customers (Insurance & Wealth)	Complaints-to-claims ratio	FCA reportable complaints per 1,000 accounts ARA, Page 15	FN-IN-270a.2
				Transparent Information and Fair Advice for Customers (Insurance & Wealth)	Customer retention rate	Customer satisfaction net promoter score ARA, Page 15	FN-IN-270a.3

► Appendix 6 – Sustainability Accounting Standards Board (SASB)

Commercial Banking

The following disclosures are taken from individual standards and disclosed for Commercial Banking only.

Topic	Accounting metrics	Disclosure	SASB code
Incorporation of Environmental, Social and Governance Factors in Credit Analysis	Commercial and industrial credit exposure by industry	Capital and Risk Management Pillar 3 Report Analysis of credit risk exposures by industry Financial downloads - Lloyds Banking Group plc Helping Britain transition to a sustainable low-carbon economy ARA, Pages 20–23 ESG, Pages 19–35	FN-CB-410a.1
Activity Metrics – disclosed to allow for normalisation and comparison of data	Value of checking and savings accounts by segment: (a) personal and (b) small business	Customer deposits ARA, Page 71	FN-CB-000.A
	Value of loans by segment: (a) personal, (b) small business, and (c) corporate	Loans and advances to customers ARA, Page 71	FN-CB-000.B

Retail

The following disclosures are taken from individual standards and disclosed for Retail only.

Topic	Accounting metrics	Disclosure	SASB code
Environmental Risk to Mortgaged Properties	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	Sectors with increased climate risk ARA, Page 22 Sectors with increased climate risk ESG, Page 29	FN-MF-450a.3
Lending Practices	Value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660	UK Mortgages ARA, Page 177	FN-MF-270a.1
	Value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660	Retail forbearance ARA, Page 179	FN-MF-270a.2
Activity Metrics – disclosed to allow for normalisation and comparison of data	Value of mortgages originated by category: (a) residential and (b) commercial	Commercial Banking UK Direct Real Estate ARA, Page 181 UK Mortgages ARA, Page 177	FN-MF-000.A
	Value of mortgages purchased by category: (a) residential and (b) commercial	Commercial Banking UK Direct Real Estate ARA, Page 181 UK Mortgages ARA, Page 177	FN-MF-000.B

► Appendix 6 – Sustainability Accounting Standards Board (SASB)

Insurance & Wealth

The following disclosures are taken from individual standards and disclosed for Insurance & Wealth only.

Topic	Accounting metrics	Disclosure	SASB code
Incorporation of Environmental, Social and Governance Factors in Investment Management	Description of approach to incorporation of ESG factors in investment management processes and strategies	ESG lending and investment ARA, Page 24 ESG, Pages 36–38 Responsible Investment Scottish Widows	FN-IN-410a.2
Incorporation of Environmental, Social, and Governance Factors in Investment Management and Advisory	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies	ESG lending and investment ARA, Page 24 ESG, Pages 36–38 Responsible Investment Scottish Widows	FN-AC-410a.2
	Description of proxy voting and investee engagement policies and procedures	ESG lending and investment ARA, Page 24 ESG, Pages 36–38 Responsible Investment Scottish Widows	FN-AC-410a.3
Activity Metrics – disclosed to allow for normalisation and comparison of data	(1) Total registered and (2) total unregistered assets under management	Divisional results – Insurance and Wealth ARA, Page 75	FN-AC-000.A

Appendix 7 – Deloitte Independent Assurance Report

Independent assurance statement by Deloitte LLP to Lloyds Banking Group plc on selected non-financial Group Sustainable Business indicators within the Lloyds Banking Group Annual Report 2020 and online content.

What we looked at: scope of our work

Lloyds Banking Group plc (“Lloyds Banking Group” or “the Company”) has engaged us to perform limited assurance procedures on the Company’s Group level compilation of selected Community, Diversity and Environment indicators for the year ended 31 December 2020. The assured data appears in the Lloyds Banking Group 2020 Annual Report and ESG Report, and online at <https://www.lloydsbankinggroup.com/investors/annual-report/annual-report-archive.html>

For the reporting year ended 31 December 2020, the community and diversity indicators covered the period 1 January 2020 – 31 December 2020 and comprised of:

Community Investment

Total Community Investment (£)

- Total cash donations (£)
- Total in-kind giving (£)
- Total employee time (£)
- Total management costs (£)
- Total leverage (£)

Diversity

- Percentage of senior roles held by women (Grades F+) (%)
- Percentage of all roles held by BAME colleagues (%)
- Percentage of senior roles held by BAME colleagues (Grade F+) (%)

The environmental indicators assured covered the period 1 October 2019 – 30 September 2020 and comprised of;

Environment

Total CO₂e emissions (tCO₂e)

- Total CO₂e emissions (tCO₂e) – market based
- Total CO₂e emissions (tCO₂e) – location based
- Scope 1 emissions (tCO₂e)
- Scope 2 emissions (tCO₂e) – market based
- Scope 2 emissions (tCO₂e) – location based
- Scope 3 emissions (tCO₂e)
- Total energy consumption (GWh)
- Total water consumption (m³)
- Total operational waste (tonnes)

What standards we used: basis of our work, criteria used and level of assurance

We carried out limited assurance on the selected key performance indicators in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000 (Revised)) and 3410 (ISAE 3410). To achieve limited assurance the ISAE 3000 (Revised) and ISAE 3410 requires that we review the processes, systems and competencies used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. Our engagement provides limited assurance. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and competence in providing assurance to Lloyds Banking Group

- We complied with Deloitte’s independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report.
- We have confirmed to Lloyds Banking Group that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.
- Our team consisted of a combination of Chartered Accountants with professional assurance qualifications and professionals with a combination of environmental, CR and stakeholder engagement experience, including many years’ experience in providing corporate responsibility report assurance.

What we did: key assurance procedures

To form our conclusions, we undertook the following procedures:

- Interviewed management and those with operational responsibility for performance in the areas of corporate responsibility we reviewed;
- Reviewed and evaluated the criteria for measurement and reporting for each of the subject matters as set out in the Reporting Criteria at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.
- Understood, analysed and tested on a non-statistical sample basis the key structures, systems, processes, procedures and controls relating to the collation, validation and reporting of selected Group Sustainable Business performance data at Group level, as indicated by footnote symbols within the data sheet at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html> in accordance with their definitions and basis of reporting;
- Reviewed the content of the ESG Report against the findings of the aforementioned procedures; and
- In performing our work, we applied International Standard on Quality Control 1 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.

► **Appendix 7 – Independent Assurance Report – Deloitte**

What we found: our assurance conclusion

Based on the scope of our work and the assurance procedures we performed, nothing has come to our attention that causes us to believe that the selected Group Sustainable Business performance indicators are materially misstated.

Limitations

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology, often with no consistent, accepted external standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop. To support clarity in this process, Lloyds Banking Group have developed a Reporting Criteria document for 2020, which defines the scope of each assured metric and the method of calculation. It should be read together with this report, which is available at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.

In relation to our work performed on the Group Sustainable Business performance indicators for 2020, we note the following specific limitations:

- ➊ Our testing did not include detailed testing of IT controls of the underlying systems used by Lloyds Banking Group and its partners to collate and report data for: Diversity, Environment and Community metrics.
- ➋ The new Scope 3 Homeworking metric has been compiled for the first time using a specifically developed methodology as outlined online at <https://info.eco-act.com/en/homeworking-emissions-whitepaper-2020>. As a first-time application of a bespoke methodology, we did not have access to prior period measurements, nor broader external data points from comparable organisations, to inform the analytical procedures that we typically perform on other metrics.

Roles and responsibilities

Lloyds Banking Group:

- ➊ The Group Sustainable Business Team are responsible for the preparation of the ESG Report and related information and statements contained within the Annual Report. They are responsible for determining the targets for Group Sustainable Business indicators and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte:

- ➋ Or responsibility is to independently express conclusions on the subject matters as defined within the scope of work above to Lloyds Banking Group in accordance with our letter of engagement. Our work has been undertaken so that we might state to Lloyds Banking Group those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lloyds Banking Group for our work, for this report, or for the conclusions we have formed.

Deloitte LLP
London
23 February 2021