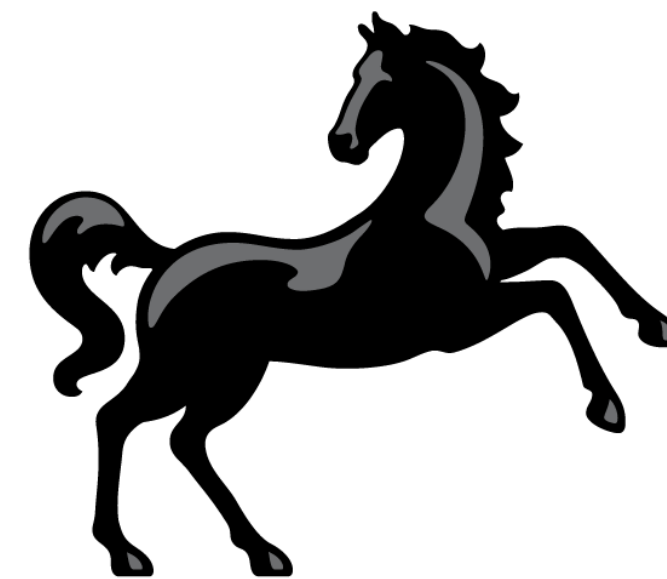


**LLOYDS**  
BANKING GROUP



# ESG Investor Presentation

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2020

Updated 05 August 2020, Investor Relations



# Overview

*Environmental, Social and Governance matters are an integral part of Lloyds Banking Group's strategy, and we have made significant progress in 2020*



NEW

## Our purpose is to Help Britain Prosper

We are a digitised, simple, low risk, customer focused, UK financial services provider

Given our focus on the UK, the Group's success is interwoven with the UK's prosperity

We embrace our responsibility to help address the social, economic and environmental challenges that the UK faces by operating as a responsible, sustainable and inclusive Group

Much of this is embedded through our **Helping Britain Prosper** plan, with a focus on:

- Helping the transition to a sustainable, low carbon economy
- Helping Britain get a home
- Helping people save for the future
- Supporting businesses to start up and grow
- Tackling social disadvantage across Britain
- Building capability and digital skills
- Championing Britain's diversity

## We have taken significant action in 2020

### COVID-19 pandemic

- Co-operating with the Government, regulators and other stakeholders to help Britain recover
- Proactively supporting customers, colleagues and communities
- Providing the same £25.5m of funding in 2021 to our four independent charitable Foundations as they have received in 2020, to help continue vital work in communities

### Diversity

- Launched our '**Race Action**' plan in July, with a number of measures to increase diversity, including a specific goal to **increase Black representation in senior roles to at least 3% by 2025**, aligning with the UK labour market

### Sustainability

- Announced in January an ambitious goal to work with customers, Government and the market to help **reduce the carbon emissions we finance by >50% by 2030**
- **Provided >£6bn in green finance** since 2016 through our sustainable finance initiatives



# Helping Britain recover beyond the crisis is integral to the Group's purpose

*Opportunity to build a stronger bank whilst supporting a resilient economy with a more sustainable future*



NEW

 <b>Customers</b>	<ul style="list-style-type: none"><li>• Working with government and regulators to help <b>households build financial resilience</b> and <b>businesses recover</b></li><li>• Contribution to a fast recovery is in the best interest of <b>sustainable shareholder value creation</b></li></ul>
 <b>Colleagues</b>	<ul style="list-style-type: none"><li>• Developing more <b>flexible and efficient ways of working</b>, compelling to colleagues beyond crisis</li><li>• <b>To retain and attract talent</b> need to ensure our workplace proposition is evolving with the changing ways people want to work, and that our workforce represents a <b>diverse pool of talent</b></li></ul>
 <b>Communities</b>	<ul style="list-style-type: none"><li>• Continuing to support our communities through our independent Foundations to ensure <b>fairer</b> and more <b>inclusive societal outcomes</b> and more <b>even regional development</b> beyond the crisis</li><li>• Expectations for companies to carry wider <b>societal responsibilities</b> has accelerated through the crisis and is fully aligned with the Group's <b>purpose</b> and supportive of longer term <b>value creation</b></li></ul>
 <b>Sustainability</b>	<ul style="list-style-type: none"><li>• Helping <b>finance the UK's green recovery</b> and transition to a sustainable, low carbon future</li><li>• Manage <b>risks and leverage opportunities</b> from climate change but also meet investors' and other stakeholders' expectations of banks' role in <b>financing the transition to an environmentally sustainable future</b></li></ul>



# We are continuing to support customers through COVID-19

*Banks are an important part of the solution helping to support the UK economy*



NEW

## Being there for our customers



Retail

- **Flexible and sensitive treatment** of retail customers; >1.1m payment holidays granted, £500 interest-free overdraft automatically available to >9m customers
- **Focus on vulnerable customers and key workers** with dedicated telephone services and priority branch access
- Around **90% of UK's largest branch network remained open in lockdown** and **ATM availability exceeded 95%**
- **>120m proactive letters, emails and SMS messages** sent to customers outlining available coronavirus support



Commercial  
Banking

- **>£9bn lending to businesses through government backed schemes**, including BBL, CBIL, CLBIL <sup>1</sup>
- **c.33,000 capital repayment holidays** and **c.20,000 fee-free overdrafts** granted as part of the **£2bn COVID-19 fund** to support clients with turnover of up to £100m
- **Increased interactions** with our **clients most impacted** by COVID-19 to provide support



Insurance &  
Wealth

- **Flexible, proactive approach** for customers with investment and insurance needs, including payment holidays
- **Simplified claims process** with accelerated claims payments on **life** and **critical illness** policies
- **Supported the NHS** by providing **free additional insurance cover** to its workers and alleviating pressure on GPs by **reducing requirements for medical evidence**



# We are also supporting our colleagues and communities

*Banks are an important part of the solution helping to support the UK economy*



NEW

## Protecting our colleagues

- **c.50,000 colleagues working from home**; c.22,000 laptops distributed during the pandemic
- **Pay and job security for all colleagues** since March; a range of awards for frontline colleagues for contribution during the pandemic
- **Increased frequency of engagement**, including explanation of expectations around working from home and gradual opening of LBG sites
- **Increased support in health and wellbeing** by launching Wellbeing desks in London, Bristol, Edinburgh, Halifax and Manchester
- **Phased post COVID-19 transition plans** and risk assessments undertaken across all our head offices and branches
- Gathered **colleague feedback on wellbeing and working from home** through Pulse employee survey – words “caring”, “humour/fun” and “human” selected as top words to describe the organisation

## Remaining present in communities across the UK

- Made a guarantee to provide **£25.5m of funding to our four Foundations** in 2021 to provide certainty to the charities we support
- Launched an innovative partnership with ‘We Are Digital’, to deliver up to **2,000 tablet devices free to over-70s to help keep them connected**
- **Additional funding to our long-term charity partner Mental Health UK**, enabling them to extend the Mental Health and Money Advice Service
- Supporting The Silver Line (Age UK) to offer a **24/7 helpline/friendship service to those aged 55+ who may be feeling lonely or isolated**
- **Free digital skills training through Lloyds Bank Academy**; supported c.32,000 individuals, charities and small businesses in H1’20



# Black Lives Matter - Our stand for racial equality

*We stand against racial discrimination in all forms and have been striving for inclusion and equality over the past few decades*



NEW

## Our progress so far

- **First FTSE100 company** to set specific public goals to increase Black, Asian & Minority Ethnic representation at senior levels
- Comprehensive **Ethnicity Strategy**<sup>1</sup> to help meet our goals
- **Race, Ethnicity and Cultural Heritage (REACH) colleague network**, which has >3,000 members
- **Sponsors of the Pathway to Success programme**<sup>2</sup>, aiming to progress talented Black, Asian & Minority Ethnic candidates into public office

## New commitment - announced our 'Race Action' plan in July 2020

**We aim to increase Black representation in senior roles from 0.6% to at least 3% by 2025, aligning with the UK labour market**

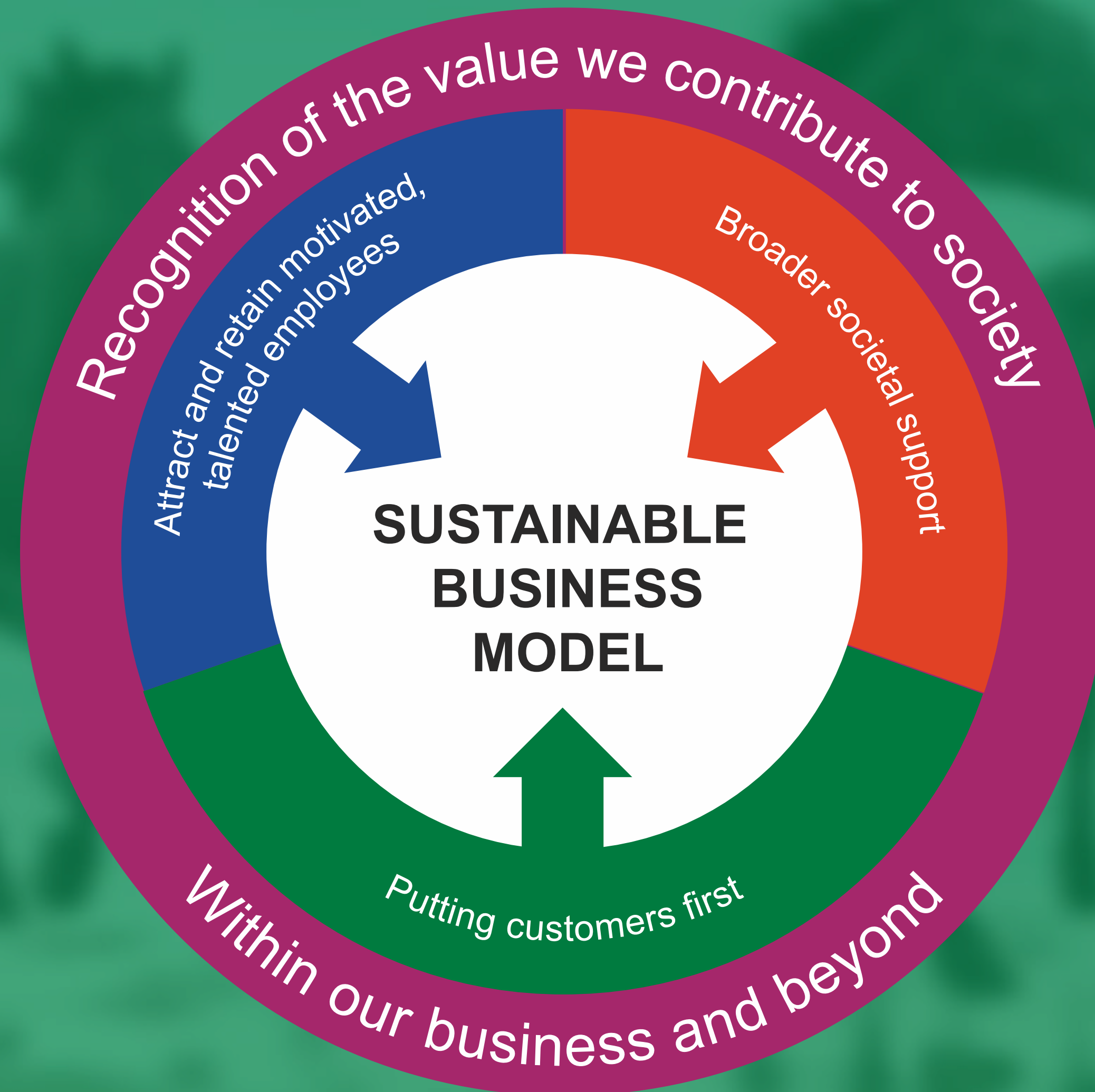
### Additionally we will:

- Set up a **new advisory board** made up of Black, Asian & Minority Ethnic colleagues to help drive our ongoing diversity strategy
- **Work in partnership with external experts** to develop a **race education programme**
- **Undertake regular listening sessions** to gauge colleague experiences and progress against our goal
- **Publish our ethnicity pay gap** report this year
- Ensure that **all recruitment shortlists at senior executive level** have a Black, Asian & Minority Ethnic candidate
- **Nurture our talented Black colleagues** through specific programmes for both middle management and senior grades, including additional secondment opportunities

Moody's note Lloyds' 'Race Action' plan is **credit positive** because measures taken will **improve staff diversity** at all levels and **reduce Lloyds' exposure to social risk** (July 21, 2020)



We recognise being a responsible citizen is a fundamental component of maintaining a sustainable business model





# Lloyds Banking Group at a glance



- **Largest UK retail and commercial financial services provider**, with over 300 years heritage across our brands
- Our brands extend to **c.26m customers**; the **largest branch network** and **leading digital bank** in the UK with >17m digitally active users, up 4% in H1'20; digital and mobile NPS at all-time highs, digital NPS up 8% in H1'20
- Unique integrated propositions across **Retail, Commercial and Insurance & Wealth**, delivered through a differentiated **multi-brand, multi-channel customer focused** strategy
- Only provider in the UK serving **all individual financial needs in one place**
- One of the **largest companies in the FTSE100**, and the **largest shareholder register** in the UK with c.2.4m shareholders<sup>1</sup>
- **Leading current account and mortgages** provider
- **Leading SME lender**<sup>2</sup>, increasing market share by 6pp to 19% since 2010
- **Prudent, low-risk** participation choices

NEW

NEW



# Our business model at a glance



Our purpose:

Helping Britain Prosper

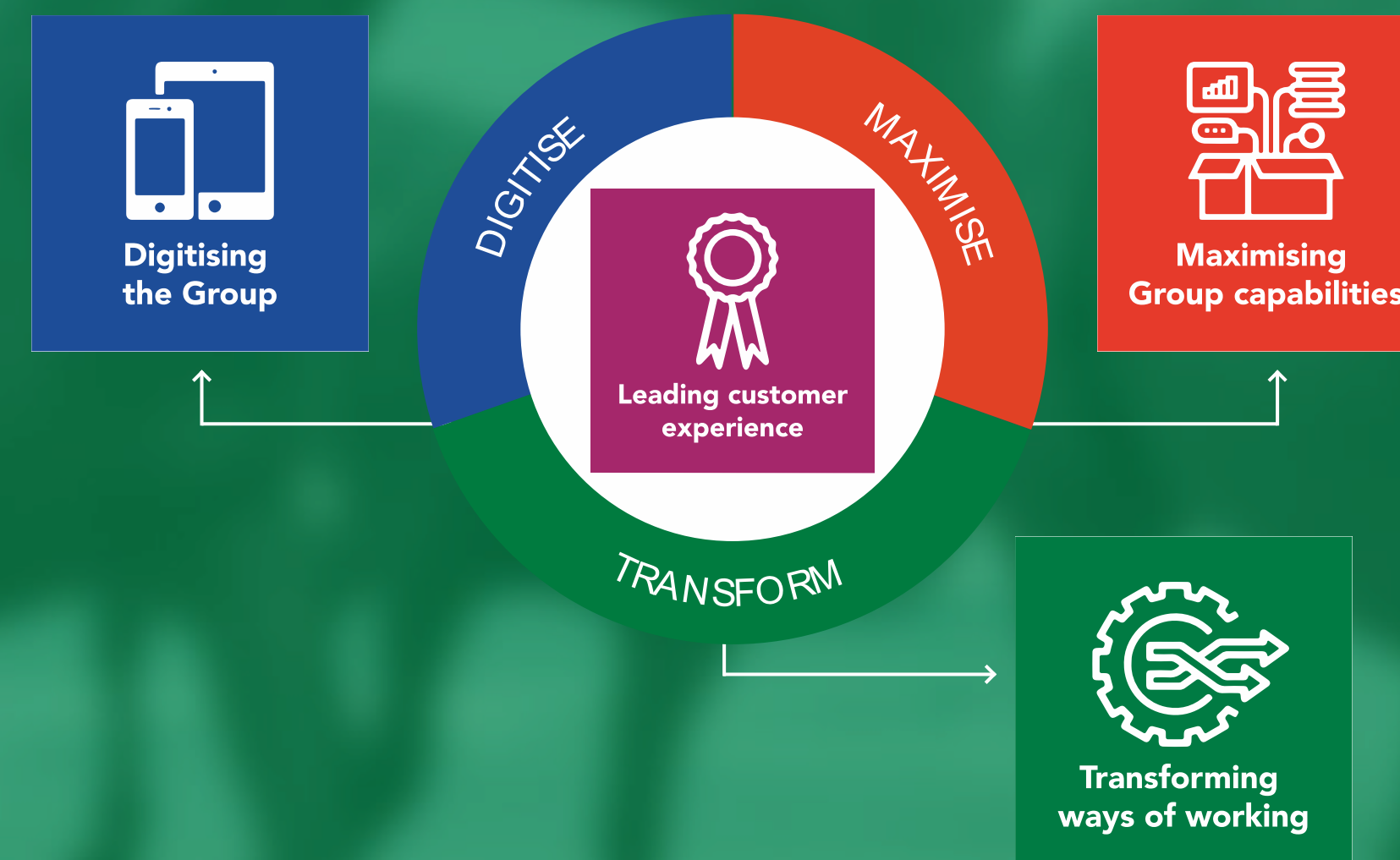
## GSR1 (2011-2014)

- Reshaped our portfolio
- Simplified the Group
- Invested in the core business
- Strengthened balance sheet and liquidity positions

## GSR2 (2015-2017)

- Delivered sustainable growth
- Became simpler and more efficient
- Enhanced customer experience

## GSR3 (2018-2020)



Our strategy:

Transforming the Group for success in a digital world



# Helping Britain Prosper plan is a key part of our ESG strategy



Our Helping Britain Prosper plan<sup>1</sup>...

...directly supports external global goals



<sup>1</sup> - Our Helping Britain Prosper plan consists of seven key commitments across Environmental and Social issues.



# The history of our Helping Britain Prosper plan

*As the largest UK financial services provider, our prosperity is interwoven with the prosperity of the UK*



## Helping Britain Prosper launched in 2014

The **first FTSE100 company** to set a public goal on **gender diversity**

**£1bn** increased new lending to support UK manufacturing businesses

**80% of targets achieved**

Created **>1,000** new apprenticeship places

Helped **>10,000** clients export for the first time

**13% YoY decrease** in our overall **carbon emissions**

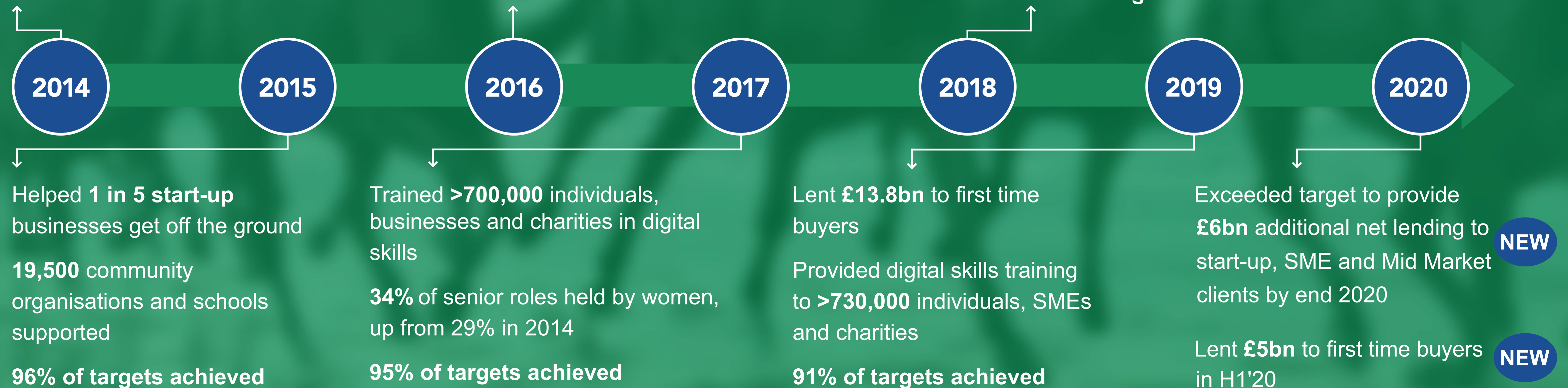
**83% of targets achieved**

**15% increase** in net SME lending since the start of 2014 (vs market growth of 1%)

**First FTSE100 company** to target an increase in the proportion of senior **Black, Asian & Minority Ethnic colleagues**

Removed 35m items of **single use plastic** from our business through **War on Waste** campaign

**91% of targets achieved**





# Helping Britain Prosper throughout all regions of the UK



## Foundations

Made commitment to provide £25.5m of funding in 2021 to our four independent charitable Foundations

NEW

## Business mentoring

Offering a mentoring service to small businesses to help navigate a path beyond the coronavirus pandemic<sup>2</sup>

NEW

## Supporting SMEs and small businesses

>£9bn lending provided to businesses through active participation in government-backed schemes, incl. BBL, CBIL, CLBIL<sup>1</sup>

NEW

## Mental Health Support

Additional funding from the Group has enabled our long-term charity partner Mental Health UK to increase the capacity of the UK's first Mental Health and Money Advice Service

NEW

## Lloyds Bank Academy

Our Lloyds Bank Academy, which offers free digital skills training, has supported c.32,000 individuals, charities and small businesses in H1'20 with online webinars and training courses

NEW

## Regional ambassadors

10 senior representatives of LBG offering insight and value to the major economic and social debates in regions across the UK



# Our four independent charitable Foundations

*Our Foundations are critical to our vision of tackling social disadvantage by partnering with local charities to help overcome social issues and rebuild lives*



>£25m donated to Foundations in 2020, and have already made a commitment to provide the same funding in 2021 **NEW**

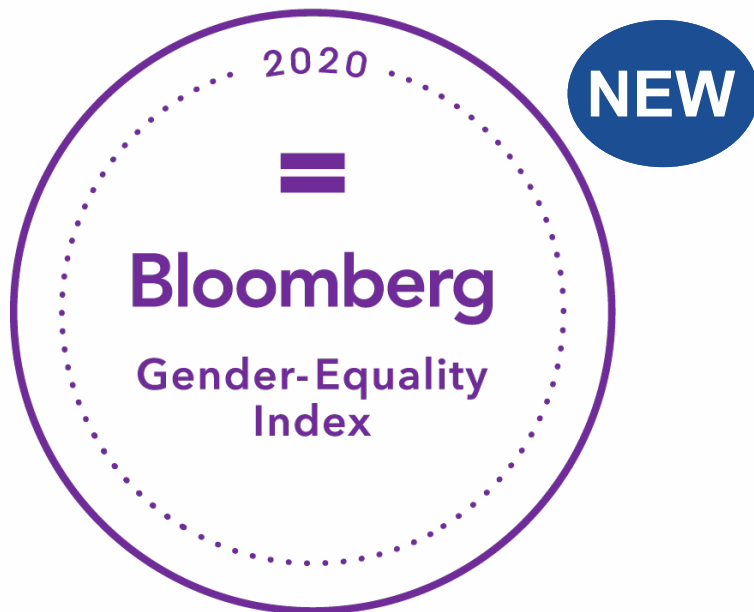
**>2,900** charities supported in 2019

Share our skills, experience and knowledge, demonstrating a genuine partnership between Lloyds Banking Group and our Foundations





# Awards and recognition





# Helping the transition to a sustainable low carbon economy



*Our goal is to be a leader in supporting the UK to successfully transition to a more sustainable, low carbon economy, which cannot happen overnight and relies on a phased approach*

Our commitments	Objectives supported			Progress
<p>We have set an ambitious goal to work with customers, Government, and the market to help <b>reduce the carbon emissions</b> we finance by <b>&gt;50% by 2030</b></p> <p>We will partner with the Woodland Trust to plant <b>10m trees</b> over the next 10 years</p> <p>We <b>support the TCFD</b> and plan to fully <b>implement by 2022</b></p> <p>We will be developing new <b>carbon, energy</b> and <b>travel</b> targets in 2020</p>	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div></div> <div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div> <div></div>	<div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div> <div><div>13 CLIMATE ACTION</div></div> <div></div>	<div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div> <div></div> <div></div> <div><div>RE 100</div></div>	<p>We have provided <b>&gt;£6bn</b> in <b>green finance</b> since 2016 through our sustainable finance initiatives</p> <p>Maintained leadership level in the <b>2019 CDP Climate Change survey</b>, the only UK bank to score an <b>A rating</b> for a second year running</p> <p>We have supported <b>&gt;40 renewable energy projects</b>, the equivalent of generating power for <b>5.1m</b> homes, achieving our 2020 target a year early</p> <p>Achieved the rank of “<b>leader</b>” and <b>2nd in Europe</b>, moving up from last place in 2017, in ShareAction’s latest ‘<b>Banking on a Low Carbon Future</b>’ report</p>
<p><b>Case study</b></p> <p>In 2019, Lloyds Banking Group provided funding and risk management services to the £2.3bn Neart na Gaoithe (Strength of the Wind) offshore wind farm located 15km off the coast of Fife, it has the potential to power c.375,000 Scottish homes and offset 400,000 tonnes of CO<sub>2</sub> emissions annually</p>				



# Helping Britain get a home

*As the largest lender to the UK housing sector, we are committed to supporting home ownership across the UK and are working to make it an affordable reality for millions of people*



## Our commitments

Lend **>£30bn** to first time buyers over our plan period (three years to the end of 2020)

Aim to be a leading UK provider of customer support on **energy efficient, sustainable homes**

## Objectives supported



## Progress

Supported first time buyers with **>£30bn** of lending since 2017, ahead of target with £5bn in H1'20

**NEW**

Provided **£6.4bn** of new funding to support the social housing sector since 2018, achieving our target of **£5.5bn** a year early

Launched a new **equity release mortgage**, enabling customers to use equity in their home to help family members onto the housing ladder or supplement their own retirement income

**NEW**

Launched **Lend a Hand** and **Halifax Family Boost**, making it easier for those with little or no savings to buy their first home

## Case study

LiveWest offer affordable rent and shared ownership, building new homes, and using profits to build more affordable homes across the South West; Lloyds Bank were delighted to support the £250m bond they issued in September 2019, and through this, their plans to develop 7,000 new homes over the next 5 years



# Helping people save for the future

*We recognise the importance of savings to build financial resilience and help tackle disadvantage. We're making saving for the future as easy as possible by improving choice, flexibility and control*

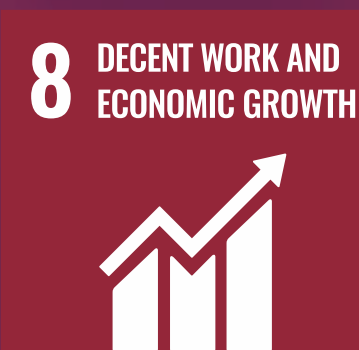


## Our commitments

Grow the amount of open book assets under administration we hold on behalf of retirement and investment customers by **£50bn** over the plan period (end of 2020)

Aim to be a leading UK pension provider offering **sustainable investment choices**, challenging companies we invest in to behave more sustainably

## Objectives supported



## Progress

Grew customer assets in retirement and investment products by **£37.1bn** since 2018

Launched **Schroders Personal Wealth**, serving a growing need for professional advice

Launched a new **responsible investment** and **stewardship framework** to enhance sustainability practices

Our banking savings range operates with **transparent pricing** for all, and customers can upgrade their accounts online with one click when better products become available

**NEW**

## Case study

Through the launch of Schroders Personal Wealth, we have helped more people save for their future, with the number of retail customers referred for wealth advice increasing by 33% in 2019



# Supporting businesses to start up and grow

*We want to be the best bank for business customers by providing products and services based on a real understanding of their needs, whilst adhering to our responsible lending practices<sup>1</sup>*



## Our commitments

Support **300,000** businesses to start-up over the plan period (end of 2020)

Increase the amount of net lending to start-up, SME and Mid Market businesses by a total of **£6bn** over the plan period (end of 2020)

Become a **leading UK commercial bank for sustainable growth**, supporting our clients transition to sustainable business models and operations, and to pursue new clean growth opportunities

## Objectives supported

**8** DECENT WORK AND ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



Maximising Group capabilities



PARIS2015  
UN CLIMATE CHANGE CONFERENCE  
COP21-CMP11

## Progress

Exceeded target to provide **£6bn** additional net lending to start-up, SME and Mid Market clients by end 2020

NEW

On track to meet committed **£18bn** gross new lending to UK businesses for 2020

NEW

Our **Clean Growth Finance Initiative (CGFI)** provides discounted borrowing to businesses investing in reducing environmental impacts

Helped **17.4m sq ft** of commercial real estate become more **energy efficient** since 2018

## Case study

As part of our £2bn Clean Growth Financing Initiative, we supported Company Shop with a £4.2m funding package, a business built around sustainability, buying and selling surplus food and household products which otherwise would have gone to landfill



# Tackling social disadvantage across Britain

*As one of the UK's largest corporate donors, we use our scale to reach people in communities across the country to help improve lives*

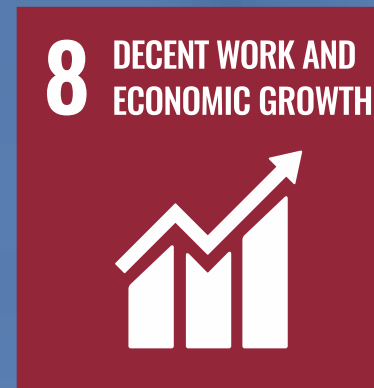


## Our commitments

Through our commitment to the Group's independent charitable Foundations, continue to support **2,500** charities each year in our plan period (end of 2020)

We are committed to providing banking services to those that need them; the Group currently supports **>30% of all social bank accounts** the UK

## Objectives supported



## Progress

Given an **early commitment to provide £25.5m of funding** to our four independent charitable Foundations in 2021, to ensure the Foundations can plan ahead

**With our additional funding** Mental Health UK, our long-term charity partner, has been able to extend their **Mental Health and Money Advice Service during the coronavirus pandemic**

**£50.8m** of total community investment in 2019

NEW

NEW

## Case study

In 2019, the Foundations received >£25m, enabling them to support >2,900 charities. One of these charities is Angel Eyes NI, set up in 2007 in Belfast by parents of visually impaired children who wanted to improve the support available to other parents in the same situation. Our grant helped Angel Eyes to develop an innovative virtual reality app, to allow others to see the world through the eyes of a partially sighted child



# Building capability and digital skills

*Our ambition is to enhance capability and digital skills to help address the UK skills and productivity gap*



## Our commitments

Provide **digital skills training** to **>1.8m individuals, SMEs and charities** over the plan period (end of 2020)

We have committed **£9m over 3 years** to SMEs to develop apprenticeships through our Levy Transfer Initiative

We will deliver **4.4m cumulative training hours** to develop key skills for the future, over the plan period (end of 2020)

## Objectives supported



## Progress

Building on the success of our academies in Manchester and Bristol, our **London Academy** launched in July 2020 **NEW**

We have teamed up with **We Are Digital** to help people learn how to access essential services on the internet, whilst **staying safe at home** **NEW**

Held **‘Digital Knowhow’ workshops**, helping thousands of organisations learn how to **avoid fraud** and take advantage of digital marketing techniques

Delivered **3.2m cumulative training hours** to develop the skills for the future since 2018

## Case study

In April 2020 we formed a unique partnership with We Are Digital to provide vulnerable customers with even more free and practical support to help them stay connected online, this includes a specialist phone line to help up to 20,000 customers access the internet and delivery of up to 2,000 tablets to over 70s who do not have a suitable device to access the internet **NEW**



# Championing Britain's diversity

*Diversity is a business issue. Diverse teams, supported by inclusive environments, are more engaged, more innovative and deliver better outcomes for customers*



## Our commitments

**40% of senior roles** to be held by **women** by the end of 2020

**8% of senior roles** held by **Black, Asian & Minority Ethnic** colleagues by the end of 2020

**10% of roles** held by **Black, Asian & Ethnic** colleagues by the end of 2020

**Black representation in senior roles at least 3% by 2025** to align with the overall UK labour market

**Publish the Group's ethnicity pay gap report in 2020**

NEW

NEW

## Objectives supported



## Progress

Launched a '**Race Action**' plan in July 2020 to address specific challenges for Black colleagues<sup>1</sup>

NEW

In 2019, **36.8%** of senior roles were held by **women** (up from 29% in 2014), and we remain committed to **40% by 2020**

**Increased roles held by Black, Asian & Minority Ethnic** colleagues to **10.2%**, achieving our 2020 target early; **increased senior roles** held by **Black, Asian & Minority Ethnic** colleagues to 6.7%

Committed to improving the transparency of workforce disclosure, participating in the **Workforce Disclosure Initiative**

## Case study

Our award-winning Returners Programme helps professionals who have been on a career break of at least two years. The programme provides support, including coaching a buddy and a mentor as well as peer-to-peer help. 85% of successful applicants have been female, with 46% from Black, Asian & Minority Ethnic communities



# Our Helping Britain Prosper 2020 targets



Area of focus	2018 achieved	2019 achieved	2020 targets <sup>1</sup>	SDGs supported
<b>Helping the transition to a sustainable low carbon economy</b> Average number of homes that could be powered as a result of our support of UK renewable energy projects	2.6m	5.1m <sup>2</sup>	5m	
<b>Helping Britain get a home</b> Amount of lending committed to help people buy their first home	£12.4bn	£13.8bn	£30bn	
<b>Helping people save for the future</b> Growth in assets that we hold on behalf of customers in retirement and investment products <sup>3</sup>	£7.4bn	£37.1bn <sup>2</sup>	£50bn	
<b>Supporting businesses to start up &amp; grow</b> Increased amount of net lending to start up, SME and Mid Market businesses	£3bn	£3.4bn <sup>2</sup>	£6bn	
<b>Tackling social disadvantage across Britain</b> Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations	3,113	2,929	2,500	
<b>Building capability and digital skills</b> Number of individuals, SMEs and charities trained in digital skills, including internet banking	700,232	738,504	1.8m	
<b>Championing Britain's diversity</b> Percentage of senior roles to be held by women Percentage of roles held by Black, Asian and Minority Ethnic colleagues Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues	35.3% 9.5% 6.4%	36.8% 10.2% 6.7%	40% 10% 8%	

<sup>1</sup> - Figures are all cumulative 2018 to 2020 excluding Tackling social disadvantage across Britain and Championing Britain's diversity. <sup>2</sup> - Figures are cumulative from 2018. <sup>3</sup> - Growth in assets under administration in our open book.



# Sector statements – existing

*Managing our risk appetite to a number of sectors is a critical part of our sustainability strategy. Our external sector statements set out our risk appetite for lending to these particularly sensitive sectors*



Sector	Lloyds Banking Group will not:	Sector	Lloyds Banking Group will not:
<b>Coal</b>	<ul style="list-style-type: none"> <li>Finance new coal-fired power stations or thermal and metallurgical coal mines</li> <li>Provide general purpose banking or funding to new customers where &gt;30% of their revenue comes from operating coal-fired power stations and/or thermal coal mines</li> <li>Finance any coal mine using mountaintop mining (MTM) techniques</li> </ul>	<b>Power</b>	<ul style="list-style-type: none"> <li>Finance new large dams for hydro-electric projects that are inconsistent with the World Commission on Dams Framework</li> <li>Finance new customers that are lead contractors in the construction or design of nuclear plants/facilities or lead contractors involved with the transport, storage and disposal of nuclear waste in countries that have not ratified or acceded to the Nuclear Non-Proliferation Treaty</li> <li>Finance new nuclear projects in countries that are not members of the relevant agencies<sup>2</sup></li> </ul>
<b>Defence</b>	<ul style="list-style-type: none"> <li>Support any businesses which engage in any activities prohibited by international conventions ratified by the UK Government</li> <li>Support any businesses involved in the manufacture, sale, trade, servicing or stockpiling of nuclear weapons<sup>1</sup></li> </ul>	<b>Mining</b>	<ul style="list-style-type: none"> <li>Finance (whether for any new or existing customer) any mine using the mountaintop removal technique</li> <li>Support new customers involved in the extraction of asbestos</li> <li>Support new or existing customers involved in the disposal of tailings in rivers or shallow sea environments</li> <li>Support (new or existing) customers undertaking deep-sea mining</li> <li>Support new or existing customers engaged in gold mining that use cyanide or mercury in processing operations<sup>3</sup></li> </ul>
<b>Forestry (incl. Palm Oil)</b>	<ul style="list-style-type: none"> <li>Support businesses directly involved in illegal logging, the purchase of illegally harvested timber or companies that use illegal and/or uncontrolled use of fire for land clearance</li> <li>Support businesses involved in deforestation or the burning of natural ecosystems for the purpose of land clearance, removal of primary or High Conservation (HCV) forests, removing or harming peat lands or producing, processing and/or trading of palm oil by companies that are not a member of - or in the process of becoming a member of - the Round Table for Sustainable Palm Oil (RSPO) and/or the International Sustainability &amp; Carbon Certification (ISCC)</li> </ul>	<b>Oil &amp; Gas</b>	<ul style="list-style-type: none"> <li>Support project specific finance involving oil or gas exploration and production operations in the Arctic region or Antarctic territories</li> <li>Support project specific finance involving the exploration, extraction or production of oil from oil sands</li> <li>Support project specific finance exclusively dedicated to the transport or storage of oil from oil sands, or coal liquefaction</li> <li>Support project specific finance involving Onshore shale fracking</li> <li>Support reserve based lending or borrowing based financing for oil and gas companies with exploration or production in the Arctic region or Antarctic territories</li> </ul>

Note – For further detail please find our sector statements online in our reporting centre: <https://www.lloydsbankinggroup.com/our-group/responsible-business/reporting-centre/>

1 - Other than when these activities are undertaken in connection with the national nuclear weapons programmes of UK, US or France. 2 - International Atomic Energy Agency (IAEA), have not ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Material, the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, the Treaty on the Non-Proliferation of Nuclear Weapons, and the International Convention for the Suppression of Acts of Nuclear Terrorism. 3 - Without adoption of the International Cyanide Management Code for cyanide (or equivalent) or appropriate chemical management controls (for mercury).



# Sector statements – new in 2020



*Managing our risk appetite to a number of sectors is a critical part of our sustainability strategy. Our external sector statements set out our risk appetite for lending to these particularly sensitive sectors*

Sector	Lloyds Banking Group will:	Sector	Lloyds Banking Group will not:
<b>Automotive</b>	<ul style="list-style-type: none"> <li>Continue to support the sector to identify cost savings through development, manufacture and operation of more efficient vehicles with a low environmental burden, and achieve CO<sub>2</sub> reduction targets</li> <li>Change our internal car scheme and will only supply zero emission vehicles from 2021</li> </ul>	<b>Manufacturing</b>	<ul style="list-style-type: none"> <li>Support businesses without the relevant environmental licenses</li> <li>Support businesses that persistently breach regulations</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>Support customers in the sector as it transitions to a lower carbon environment through the development of new innovative products</li> <li>Support customers in reducing the carbon output of their production in line with NFU's target to render British farming carbon neutral by 2040</li> </ul>	<b>Animal Welfare</b>	<ul style="list-style-type: none"> <li>Support businesses engaged in trade in wildlife or wildlife products, or trade involving endangered species for commercial purposes</li> <li>Support businesses engaged in animal testing and biotechnology</li> <li>Support new customers involved in fur activities (excludes leather and wool), or provide new or increased facilities to existing customers</li> <li>Support businesses engaged in using animals for entertainment</li> </ul>
		<b>Fisheries</b>	<ul style="list-style-type: none"> <li>Support fisheries which use damaging fishing methods<sup>1</sup></li> <li>Support fisheries which have direct involvement in shark-finning or trading in shark fin; commercial whaling, Illegal, Unreported or Unregulated (IUU) fishing activities or trade in IUU products</li> </ul>
		<b>UNESCO World Heritage Sites</b>	<ul style="list-style-type: none"> <li>Support projects which could result in a World Heritage Site being placed on the 'In Danger' list, unless the World Heritage Committee specifically agrees in advance to that project</li> <li>Support projects which could result in the special characteristics of a Ramsar Wetland being threatened</li> </ul>

Note – For further detail please find our sector statements online in our reporting centre: <https://www.lloydsbankinggroup.com/our-group/responsible-business/reporting-centre/>

<sup>1</sup> - Including but not limited to the use of explosives and/or poison related to the catching of fish or shellfish; use of driftnets in excess of 2.5km or use of driftnets intended for the capture of species such as tuna, oceanic sea bream, marlin, sailfishes, sardines, dolphin fishes, sharks, swordfish and cephalopods.



# Governance at Lloyds Banking Group – Board of Directors



*Our Board of Directors has a diverse mix of skills and experience to provide independent and robust oversight of management; they actively engage with a wide variety of stakeholders and are committed to being responsive to them*

## Board focus areas

- Key focus areas for the Board in 2019 included: **business strategy, culture and values, customers, ESG, financial performance, regulatory issues, risk management, cyber security, and the ring-fenced bank**
- Deep dive sessions were held on key areas of strategic focus, including **open banking, strong customer authentication, fintech and data ethics**

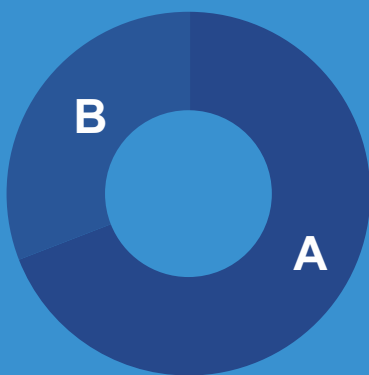
## Board committees

- Nomination and Governance Committee
- Audit Committee
- Board Risk Committee
- Remuneration Committee
- Responsible Business Committee

## Board skills matrix<sup>1</sup>

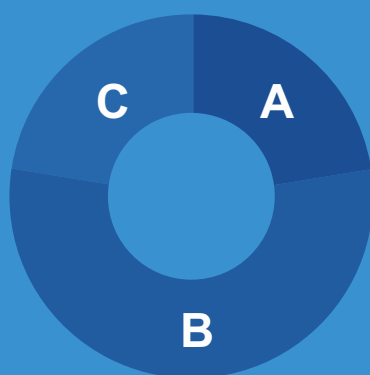
Skills and experience (Non-Executive Directors only)	
Retail/Commercial Banking	8 out of 10
Financial markets/wholesale banking/corporate clients	8 out of 10
Insurance	7 out of 10
Prudential and conduct risk in financial institutions	10 out of 10
Core technology operations	5 out of 10
Government/regulatory	10 out of 10
Consumer/marketing/distribution	6 out of 10
Strategic thinking	10 out of 10
Digital impact	8 out of 10
Major change programmes	9 out of 10

### Gender diversity



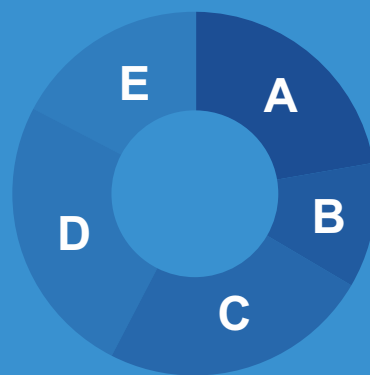
A. Male: 9  
B. Female: 4

### Age



A. 46-55: 2  
B. 56-65: 8  
C. 66-75: 3

### Board tenure



A. 0-2 years: 4  
B. 2-4 years: 1  
C. 4-6 years: 2  
D. 6-8 years: 3  
E. 8+ years: 3

<sup>1</sup> - Data as at 30 June 2020.



# Leadership succession at Lloyds Banking Group



## Rigorous succession planning with Board oversight

### The Board ensures that appropriate and effective succession planning arrangements are in place

The Nomination and Governance Committee of the Board focuses on succession planning at both a Board and Executive level

- Ensures the Board and its Committees have the desired structure, size, and mix of skills and experiences now and in the future
- Committed to recognising and nurturing talent within the executive and management levels across the Group, with detailed Executive succession planning

The role of succession planning in promoting diversity is recognised and the Group has a range of policies which promote the engagement of underrepresented groups within the business in order to build a diverse talent pipeline (e.g. gender, ethnicity)

## A co-ordinated leadership succession announced in July 2020

- In October 2019, the Group announced Lord Blackwell will have served 9 years on the Group Board in 2021, and in line with the UK Corporate Governance Code 2018, plans to retire as Group Chairman at or before the AGM in 2021
- In early 2020, the Nomination and Governance Committee initiated a search process for a new Chairman to allow time to identify Lord Blackwell's successor and enable an orderly handover
- In July 2020, the Group announced Robin Budenberg will join the Group Board on October 1st 2020 and take over as Chair in early 2021 when Lord Blackwell steps down from the Board
- At the same time, it was also announced that, with the Chair succession now in place, António Horta-Osório informed the Board of his intention to step down as Chief Executive in 2021 after having delivered three strategic plans and completed 10 years in the role next year. António has agreed to time his stepping down as Group CEO to support a smooth transition, with a target date at end of June next year, at which point he will retire from the Group
- The Board has initiated the search for António's successor. Until then he will continue to be completely focused with the executive team on delivering the remainder of the current strategic plan (GSR3), as well as the plans put in place to address the COVID-19 pandemic effects and support our customers during these difficult times

NEW

NEW

NEW

NEW



# Responsible Business Committee

*A committee of the Board established in 2015 that provides oversight for the Group's Helping Britain Prosper Plan, and the plans for delivering the aspiration to be seen as a trusted and responsible business*



Overview				Areas of focus	
Committee members	Lord Blackwell		Sara Weller (Chair)		<b>Helping Britain Prosper Plan</b> Updates are regularly provided on the performance against the metrics of the Plan
	Amanda Mackenzie	Lord Lupton	Stuart Sinclair		<b>Digital Skills</b> Reviews the programme regularly with updates on the direction of and progress with the Lloyds Bank Academy
Purpose	<ul style="list-style-type: none"><li>Supports the Board in overseeing the Group’s performance as a <b>responsible business</b>, and delivery of our <b>sustainability strategy</b>, as part of the objective of <b>Helping Britain Prosper</b></li><li>Responsible for detailed consideration and recommendation to the Board for approval of the Group’s <b>Responsible Business Report</b> and <b>Helping Britain Prosper plan</b></li><li>Oversees and <b>challenges management</b> on the activities which impact the Group’s behaviour and reputation</li></ul>				<b>Sustainability</b> Continually present challenge on the Group’s strategy of developing new products and strategies to help and support customers in a sustainable way; a number of targets have been achieved ahead of plan such as the EV1000 initiative of supporting 1,000 electric vehicles which was achieved during the third quarter of 2019
					<b>Charitable Foundations</b> Review the work done to support the charitable Foundations work in the charitable sector through strengthening skills-based volunteering across their supported charities
					<b>Inclusion and Diversity</b> Reviewing workforce Inclusion and Diversity, focussing on race and ethnicity within the Group
					<b>Other activities</b> During H1'20 there was a focus on the Group’s societal response to the COVID-19 crisis

NEW

NEW



# Governance case study - COVID-19 operational response

*Strong incident management frameworks invoked at the onset of the crisis to ensure operational continuity, with focus now turned towards longer-term strategic changes*



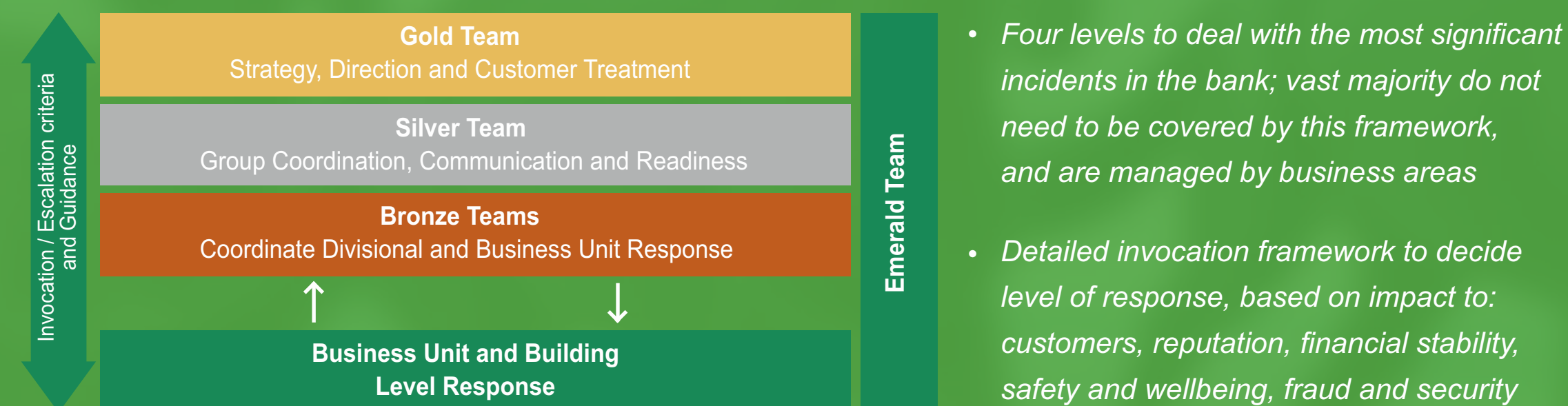
NEW

## Initial incident management of the Group's operational response

Feb - May 2020

### Group Incident Management (GIM) Response

*Highest GIM response invoked, allowing operational continuity and ensuring the Group could continue meeting customers, colleagues and business needs*



- COVID-19 invoked a Gold incident response; crisis management forums **held daily** in March, April and into May
- Gold team (chaired by the Group COO) provided **strategic direction and critical decision making**, Silver and sub groups managed **operational co-ordination across the Group and external parties**
- Additionally, policy owners stood up governance to address immediate changes to risk appetite e.g. **key security policies were temporarily amended and flexed** to address risks associated with the transition to working from home across the Group

## Transition planning to support longer-term strategic changes

May 2020 - 2021

- Gold and silver incident management teams have now been stood down; watching briefing now maintained on internal and external COVID-19 developments, with **Gold / Silver teams ready to be reinstated if the Group's operational position deteriorates**
- **Focus turned to transition planning** and longer term adjustments as a result of COVID-19 with **incident and risk activity underway to prepare the Group for the future** including: working from home risk assessments, second wave planning, and further scenarios / worst case planning
- Key learnings from the crisis have been captured, these are being used to define and develop actions through workstreams with executive sponsors in place for: **people (future ways of working), property, operational resilience, technology, suppliers, and risk and governance**
- **Formalising COVID-19 guidance into policy** where appropriate e.g. aligning the Group Operational Resilience policy with the new future work styles



# New Group remuneration policy takes effect in 2020



The new Remuneration Policy was approved at the 2020 AGM with a majority of close to 64%, and we note the significant number of votes opposing the new policy. During 2020 we will continue to consult with shareholders and other stakeholders and will consider the full range of feedback as we implement our new remuneration policy

**NEW**

<b>2020 implementation</b>	<ul style="list-style-type: none"> <li>• As a result of the new Policy, the Group Chief Executive's maximum total remuneration opportunity reduced by 29%</li> <li>• Group Executive Directors and the Group Executive Committee have requested not to be considered for an annual bonus for 2020</li> </ul>
<b>Pension contributions</b>	<ul style="list-style-type: none"> <li>• Executive Directors and Group Executive Committees' pension allowances reduced to 15% of base salary, aligned with the majority of the workforce in a single step in 2020, with no offsetting adjustment in base salary or other fixed remuneration</li> <li>• Invested £20m in enhancing pension contributions for the wider workforce</li> </ul>
<b>Long-term variable remuneration</b>	<ul style="list-style-type: none"> <li>• Long-term restricted share plan introduced to replace LTIP. This will lead to lower and less volatile potential reward outcomes aligned to a stable long-term business model, whilst introducing a simpler, clearer structure with one set of annual metrics, and promoting fairness and consistency</li> <li>• Plan includes pre-grant test based on the Balanced Scorecard, and pre-vest test against defined underpins after three years</li> </ul>
<b>Balanced Scorecard</b>	<ul style="list-style-type: none"> <li>• Further simplification of Balanced Scorecard metrics</li> <li>• Measures are equally weighted across three blocks (Customer, Colleague and Conduct, and Financial)</li> </ul>
<b>Post-employment shareholding requirements</b>	<ul style="list-style-type: none"> <li>• No formal policy but existing reward structures in line with regulatory requirements mean that a substantial proportion of variable reward for Executive Directors and other senior employees takes the form of shares deferred and held over a period of up to eight years</li> </ul>



# For further information



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## Useful links

Investor Relations

<https://www.lloydsbankinggroup.com/investors/>

Annual Report

<https://www.lloydsbankinggroup.com/investors/annual-report-2019/download-centre/>

Responsible Business

<https://www.lloydsbankinggroup.com/our-group/responsible-business/>

Helping Britain Prosper

<https://www.lloydsbankinggroup.com/our-group/responsible-business/prosper-plan/>

Sector Statements

<https://www.lloydsbankinggroup.com/our-group/responsible-business/reporting-centre/>



# Forward looking statements



This document contains certain forward looking statements with respect to the business, strategy, plans and /or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; any impact of the transition from IBORs to alternative reference rates; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings and other benefits including, but without limitation as a result of any acquisitions, disposals and other strategic transactions; the ability to achieve strategic objectives; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; concentration of financial exposure; management and monitoring of conduct risk; instability in the global financial markets, including Eurozone instability, instability as a result of uncertainty surrounding the exit by the UK from the European Union (EU) and as a result of such exit and the potential for other countries to exit the EU or the Eurozone and the impact of any sovereign credit rating downgrade or other sovereign financial issues; political instability including as a result of any UK general election; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; natural, pandemic (including but not limited to the COVID-19 outbreak) and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; risks relating to climate change; changes in laws, regulations, practices and accounting standards or taxation, including as a result of the exit by the UK from the EU, or a further possible referendum on Scottish independence; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the US or elsewhere including the implementation and interpretation of key legislation and regulation together with any resulting impact on the future structure of the Group; the ability to attract and retain senior management and other employees and meet its diversity objectives; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services, lending companies and digital innovators and disruptive technologies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints. Please refer to the latest Annual Report or Form 20-F filed with the US Securities and Exchange Commission for a discussion of certain factors and risks together with examples of forward looking statements. Except as required by any applicable law or regulation, the forward looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.



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