

# ESG

# Performance Review

**Lloyds Banking Group**

ESG Performance Review 2022



At Lloyds Banking Group, our purpose is to Help Britain Prosper. As the UK’s largest financial services provider with more than 26 million customers, we have an important role to play in creating a more sustainable and inclusive society, both today and in the future for people and businesses, shaping finance as a force for good. To be a truly purpose-driven organisation, we have embedded the delivery of our broader stakeholder outcomes into our strategy and the way we create value.

Additional links

Annual report and accounts 2022



Social sustainability report 2022

Environmental sustainability report 2022

2022 Deloitte non-financial assurance opinion

2022 consolidated reporting criteria

ESG reporting framework index

Principles for responsible banking self-assessment report

Gender pay gap report 2022

Ethnicity pay gap report 2022

Pillar 3 disclosures

Our 2022 reporting

We have prepared this supplementary **2022 ESG performance review** to provide stakeholders with our key data in relation to our environmental, social and governance performance to support data and trend analysis of our year-on-year performance. In addition, we have published key management statements and we outline our materiality process that defines our overall approach to ESG reporting including how we have engaged with stakeholders throughout the year.

This review complements our new **social sustainability report** and **environmental sustainability report**. These two reports demonstrate how we are bringing our purpose to life every day and have been prepared to assist our stakeholders in understanding our strategic progress so far on our key social and environmental focus areas.

Our reporting suite of documents is designed to facilitate better communication to a range of stakeholders and has been compiled using globally recognised reporting frameworks to guide our reporting.

For more information on the frameworks reference, please see our ESG Reporting Framework Index available for download at our **Responsible Business downloads centre**.

Scope of this report

The data and examples in this report reflect activities undertaken during the 2022 fiscal year (1 January to 31 December 2022) and, where relevant to performance, refer to activities and events before and after this period. The report includes information about Lloyds Banking Group and its subsidiaries’ performance.

Further information about our ESG-related policies, sector positions, performance ratings and benchmarks can be found online at our **Responsible Business downloads centre**.

Assurance

Deloitte LLP has provided limited assurance over selected environmental and social key performance indicators. Deloitte’s 2022 assurance statement and the 2022 consolidated reporting criteria are available in our **Responsible Business downloads centre**.

- ✓ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2022 Annual Responsible Business Reporting. Deloitte’s 2022 Assurance Statement and the 2022 consolidated reporting criteria are available to download in our Responsible Business downloads centre.

Frameworks that guide our reporting



Our approach to ESG

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ESG data and disclosures

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# About Lloyds Banking Group

## Our external drivers, risks and opportunities

We've built our business and strategy to manage the fluctuations in our external environment and to adapt to ever-changing stakeholder needs. This helps ensure the Group remains sustainable over the longer term and is able to manage risks and opportunities as they emerge.

We regularly review the associated risk implications to ensure the right choices are being made for customers, colleagues and the Group.

See our external environment in the **annual report and accounts** page 16

See our risks in the **annual report and accounts** page 38

As a large, UK-focused financial services provider our business model is influenced by a number of external factors:



## Our competitive advantages

We have a number of distinct competitive strengths that collectively differentiate our proposition.

### Financial strength and disciplined risk management

We have a strong capital position and continue to take a disciplined approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

### Dedicated colleagues with strong values

We have a highly engaged, customer-focused, diverse workforce with significant expertise and experience.

### Leading UK customer franchise with deep customer insight

Our scale and reach across the UK means that our franchise extends to 26 million customers with 19.8 million digitally active. Extensive customer data and analysis ensures we can meet the needs of these customers more effectively.

### Operating at scale with cost discipline

Our scale and efficiency enables us to operate more effectively.

### Differentiated business model, meeting all consumer and business financial needs in one place

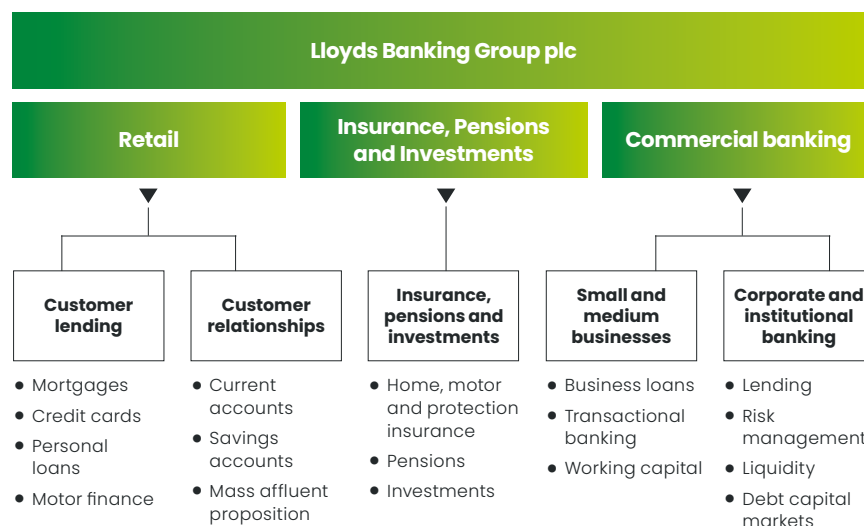
We have a unique customer proposition, serving all our customers' banking and insurance needs in one place through a comprehensive product range.

### All-channel distribution focus with digital leadership and trusted brands

Operating through a range of distribution channels ensures our customers can interact with us when and how they want. Operating a range of leading, trusted, brands enables us to address the needs of different customer segments more effectively.

## Our structure

We have three core divisions and in line with our new strategy launched in 2022, we restructured our business areas to optimise synergies and efficiencies to best serve our customers' needs.



## Our trusted brands

Our products and services are made available to our customers through our trusted brands, which enables us to address the needs of different customer segments more effectively.





# Our approach to ESG


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# Responsible business, governance and accountability

The Responsible Business Committee (RBC), a sub-committee of the Board, oversees and monitors the Group’s plans for delivering the Group’s aspiration to be a trusted and responsible business as part of our purpose of Helping Britain Prosper.

The Board has overall oversight of ESG matters, with our Board-level RBC overseeing the Group’s performance as a responsible business, including the delivery of our environmental and social sustainability strategy. Both the Board and RBC are supported by the Group Executive Committee (GEC).


 The RBC’s terms of reference can be found online [here](#)

Key decisions taken by the Board in 2022 in relation to ESG topics can be found on page 10 of our [annual report and accounts 2022](#)

## 2022 focus areas

Throughout the year, RBC regularly discussed updates on our purpose and values; sustainability strategy; inclusion and diversity ambitions; our community activity; and workforce engagement while providing oversight and challenge on those activities that impact our stakeholders.

During 2022, the Committee became the designated body to fulfil the Board’s responsibility for review and approval of the Consumer Duty implementation plan and oversight thereafter.

## Committee composition, skills, experience and operation

The Committee met on four occasions in 2022, and is composed of independent Non-Executive Directors and is attended by the Group Chief Executive. It benefits from a broad range of differing perspectives, insight and experience, with representatives from Group Internal Audit and the Chief Operating Office attending meetings as appropriate. Details of Committee membership and meeting attendance can be found on page 79 of the annual report and accounts 2022.

The Committee undertakes an annual review of its effectiveness, with the review forming part of the Board evaluation process, which for 2022 was externally facilitated. The findings of the review were considered by the Committee at its January 2023 meeting. Based on the evaluation, the feedback was that the performance of the Committee continues to be effective.

## Climate governance


Detailed information on our climate governance can be found in our environmental sustainability report 2022.

## 2023 and ahead

Looking forward the Committee will focus on how the Group is creating a more sustainable future, including the growing area of biodiversity and how we are building a more inclusive society across our purpose focus areas (see page 07) and how the Group will implement consumer duty principles.


Lloyds Banking Group Board

Responsible Business Committee (RBC)




▶ Amanda Mackenzie OBE

Independent Non-Executive Director  
Committee Chair




▶ Robin Budenberg CBE

Group Chair




▶ Alan Dickinson

Deputy Chair and Senior  
Independent Director





▶ Sarah Legg

Independent Non-Executive Director



▶ Lord Lupton CBE

Independent Non-Executive Director  
and Chair of Lloyds Bank Corporate  
Markets plc

 Committee Chair
  Responsible Business Committee member

RBC supports the Board in overseeing the Group’s policies, performance and priorities as a responsible business by:
 

- Meeting quarterly and providing regular updates to the Board. RBC oversees and supports the Group’s strategy and plans for delivering the Company’s aspirations to be a trusted and responsible business, as part of the Company’s purpose of Helping Britain Prosper
- Providing oversight and challenge on those activities which impact on the Group’s behaviour and reputation as a trusted, responsible business
- Considering in detail and recommending to the Board for approval the Group’s ESG Reporting suite
- Reporting to the Board on the matters for which RBC is responsible, escalating issues and making recommendations to the Board where appropriate to do so

The Responsible Business Committee Report can be found on page 104 of the **annual report and accounts 2022**

Further information on our governance and Group Board can be found on page 69 of our **annual report and accounts 2022**

Group Executive Committee (GEC)

Lloyds Banking Group ESG Performance Review 2022 04



# Materiality and stakeholder engagement

To become a truly purpose-driven organisation, it takes collaboration and engagement with all our stakeholders to deliver on our ambitions. Through an ongoing open dialogue, we listen and engage with them to respond to their concerns and expectations, helping to not only meet their needs but also to shape how we develop and define our strategy, helping us to deliver our purpose of Helping Britain Prosper.

Our 2022 Environmental Sustainability and Social Sustainability Reports demonstrate how our purpose comes to life including examples of engagement with our stakeholders on the material topics outlined on page 06.

Further information on the value we deliver for all our stakeholders is available on page 04 of the **annual report and accounts 2022**



# 63k

**colleagues are at the heart of business and are core to helping us deliver our purpose and strategy**



## Colleagues

Our 63,000 colleagues are at the heart of our business and are core to helping us deliver our purpose and strategy each and every day. We continually engage with colleagues to understand how we can continue to grow as a business while ensuring we deliver our purpose to Help Britain Prosper.



## Suppliers

Our suppliers and supply chains are integral to how we fulfil our customers' needs. We rely on these partners for important aspects of our operations and customer service provision. In 2022, our procured goods and services expenditure was £4.7 billion with the majority of our supplier spend incorporated in the UK. This extends to working with our suppliers to continually improve our performance in relation to social, ethical and environmental issues and we welcome their suggestions on how we can collaborate on responsible business initiatives.

# £4.7bn

**spent on procured goods and services in 2022 with the majority of our supplier spend incorporated in the UK**



## Shareholders

The Group has the largest shareholder base in the UK with 2.3 million shareholders. It is important for us to proactively engage with our private shareholders and institutional investors on a range of topics such as our strategic progress and ambitions, and financial performance and targets, as well as our progress on material ESG issues.

# £2.3m

**shareholders, making the Group the largest shareholder base in the UK**



### Regulators and government

As part of one of the most regulated sectors in the UK, it is important that the Group has ongoing dialogue with local and national government and supervisory bodies. . We engage with elected representatives at every level, including Parliament, the devolved institutions and local government, as well as civil servants, regulators, trade associations and think tanks.

**We engage in conversations about our operations and the sector, and have regular meetings to discuss issues that are relevant to our business.**



### Society and communities

With a presence in nearly every community across the UK, we recognise our position to support our local communities. We have made a number of commitments to support our communities and working with our charity partners and non-governmental organisations (NGOs), we value their support in Helping Britain Prosper.



### Customers and clients

We provide financial services to 26 million customers, and we value learning from their diverse thoughts and perspectives. A fundamental part of this is ensuring that we are inclusive of all society and that we're playing our part to help all groups have access to appropriate financial services to meet the basic needs of customers across the UK. We're helping our customers – individuals, families and businesses – to spend, save, borrow and invest in a way that's both rewarding and ethical, while making our own business more sustainable and inclusive.

**26m**

**customers, and we value learning from their diverse thoughts and perspectives**



### NGOs

The Group maintains a close dialogue with a number of organisations and charities. We engage with various NGOs on issues related to our net zero ambitions and climate strategy, fossil fuel financing, biodiversity loss, and human rights.

Further information on the value we deliver to our stakeholders is available in our **Lloyds Banking Group annual report and accounts 2022**





# Our material ESG topics

## Our approach to materiality

Talking and listening to our stakeholders is intrinsic to our business acting responsibly. Throughout the year, we continually engage with them to review and analyse material topics that have both an impact on them but are also of a strategic importance to us as a Group.

We review on an ongoing basis ESG-related topics raised through our own analysis of both our external and internal environments, such as our geography, markets in which we operate, sector, products, services and activities as well as through horizon scanning and stakeholder engagement. Further information on our external environment is available on page 16 of our annual report and accounts 2022.

We review a wide range of ESG issues specifically relating to the financial services sector that are identified, reviewed for materiality and prioritised. In addition to the views of our stakeholders, we acknowledge the growing focus of materiality through ESG reporting and account for evolving regulations across the globe. We constantly review industry developments related to the identification of material ESG-related topics in the finance sector to ensure that the information needs of our shareholders and broader stakeholders are considered, including an ongoing focus on the practice of double materiality across our material ESG topics.

We prioritise our material topics based on:

- The strategic importance of the issue to the Group
- The importance of the issue to our stakeholders
- The social, economic and environmental impact of each topic in relation to the core activities, products and services provided by the Group

## Emerging topics

2022 continued to be a challenging year for many of our customers. The socio-economic impact of Covid-19 continues to be felt and we are faced with political and economic instability both in the UK and globally. Rising inflation and interest rates, increased taxes and high food and energy prices have engendered a rise in the cost of living. As a Group, we will continue to respond to support our customers and our communities during this challenging period.

Looking further ahead as we support the transition to a low carbon economy, it is important that we strike a balance through industry collaboration, government policy (UK and global) and financial support to a just transition by 2050.

Topic	Why is this material to the Group?	Stakeholders impacted	Our response
Biodiversity and natural capital	We recognise the important role that financial services in particular can play in helping to preserve natural ecosystems, minimise nature-related risks, and channel capital towards protection and restoration of natural capital stocks.		Page 22 environmental sustainability report
Climate change	As one of the UK's largest financial services providers, we have an important role in managing the impact of our activities, products and services on climate change, and the risks and opportunities to the growth of our business as a result of climate change.		See our environmental sustainability report
Financial inclusion and resilience	We are focused on ensuring that all our customers, regardless of their personal circumstances, can pursue their financial objectives and ambitions. Through our inclusive products, services and education tools, people, communities and businesses can rely on us for their financial needs, and feel in control and confident about their future.		Pages 9 to 17 social sustainability report
Governance and conduct	We are continuously working to strengthen our management of risk, culture and governance, as well as improving our processes to achieve good customer outcomes in a responsible way. This includes reducing harm to communities through economic crime; bolstering our cyber defences to keep our customers' money and data safe; and offering responsible products and services that meet the needs of all our customers.		Pages 13 to 23 of this review
Physical health and wellbeing of colleagues	As one of the UK's largest employers, the success of the Group is dependent on our people and a safe operating working environment is imperative to ensure no harm comes to our colleagues. To support the physical health and wellbeing of our colleagues we offer them a range of programmes and support services.		Page 22 of this review Pages 35 to 37 social sustainability report
Inclusion and diversity	We want to create a fully inclusive organisation that is representative of modern-day Britain, where differences are embraced and everyone can reach their potential, and we want to use our experiences to help communities to become more inclusive.		Pages 27 to 34 social sustainability report
Modern slavery and human rights	Through our lending and investment processes, we aim to respect and positively impact human rights and mitigate modern slavery in our value chain through our role as a financial services provider, lender, purchaser of goods and services, employer and supporter of our communities.		Page 40 social sustainability report
Regional inequalities	Regional inequalities are leading to economic and social consequences across many communities. Sitting at the heart of communities, we are uniquely placed to leverage our scale to help address these issues. We will do this by meeting the needs of these regions.		Pages 23 to 25 social sustainability report



Customers and clients



Colleagues



Suppliers



Regulatory and government



Shareholders



Communities



ESG rating agencies



ESG analysts



NGOs



Industry bodies



# Driven by our purpose

For over 325 years, we have supported Britain through the good times and the bad. Given our clear purpose and unique position at the heart of the UK economy, we embrace our responsibility to help address some of the biggest economic, social and environmental challenges that the UK faces.

In February 2022, as part of our new strategy, we set out an ambition to become a truly purpose-driven organisation and we are taking steps to embed purpose at the core of our business, decision making, operations and culture.

Our strategy is directly aligned to our purpose of Helping Britain Prosper, building on the scale and position of the Group, that will deliver long-term and profitable growth while making a meaningful and positive difference for all stakeholders.

The Board of Lloyds Banking Group is responsible for the long-term success of the Group, setting and overseeing purpose, culture, values and strategy for the Group. Together with the Group Executive Committee, the Board actively drives our efforts and engages in shaping our strategic plans, ensuring these are aligned to our purpose, while overseeing their delivery.

## Our purpose is Helping Britain Prosper

**We Help Britain Prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.**

To deliver on our purpose, we have identified four focus areas where we are best placed to provide significant positive change, enabling us to create a more inclusive society and sustainable future:

- **Creating a more inclusive future**
- **Improving access to quality housing**
- **Enabling regional development**
- **Greening the built environment**

## Our Group strategy

Our new strategy, unveiled in 2022, will be a multi-year transformation requiring us to build towards our ambition progressively, through commitments, objectives, and ambitions, and to embed our purpose into our decision-making, culture and capabilities.

Core to our purpose and strategy is our focus on building a more inclusive society and supporting the transition to a low carbon economy, as this is where we can make the biggest difference, while creating new opportunities for our future growth. It is only by doing right by our customers, colleagues and communities that we can achieve higher, more sustainable returns for investors, while meeting the needs of our broader stakeholders.

See our **annual report and accounts 2022**



**Grow**

**Drive revenue growth and diversification**

**Focus**

**Strengthen cost and capital efficiency**

**change**

**Maximise the potential of people, technology and data**

## Our values

Our values guide how we work together and how we make decisions, so that we're always Helping Britain Prosper and that we're meeting the needs of customers, colleagues and communities – today, and for generations to come. We are aiming to embed these values into every decision-making moment across the business, from big strategic decisions to smaller everyday choices.



### People-first

**We put people first to go further for customers**

We listen and care for people as individuals.

We go the extra mile to help customers, colleagues and communities feel more supported, in control and confident about their future.



### Bold

**We're bold and take action**

We innovate and do things differently to better serve our customers and grow with purpose.

We challenge things that aren't right, and take action to change them.



### Inclusive

**We're inclusive to value everyone**

We learn about and embrace our differences and seek out diverse perspectives.

We shape what we do and what we offer around the different needs and circumstances of our customers, colleagues and communities.



### Sustainable

**We champion sustainability to care for our planet**

We take responsibility for the impact of our actions on nature and Britain's transition to net zero.

We see the bigger picture and think through the consequences of our decisions.



### Trust

**We trust each other to achieve more together**

We give each other the space and support to take things on and see them through.

We are honest with each other and explain our decisions.

## Our Purpose-driven focus areas

Our material ESG topics are taken into consideration with the setting of our Group strategy.

We are committed to Help Britain Prosper by creating a sustainable and inclusive future for all and to that end, aligned with our material ESG topics, we have identified high-impact focus areas which are material to the Group, but also where we are best placed to act and deliver significant positive change through cross-Group efforts and address some of the social barriers.

We have established clear ownership for each of these areas and are bringing the organisation together to truly maximise its capabilities and the contribution to building a more sustainable and inclusive society.

## Our four focus areas

Grow

### Enabling regional development

See pages 22 to 25 of the **social sustainability report 2022**



Regional inequality is one of the major challenges facing the UK. This inequality leads to adverse economic and social consequences across many communities. Sitting at the heart of communities, we are uniquely placed to leverage our scale to help address these issues. We will do this by meeting the needs of these regions, focusing on opportunities to support housing and physical regeneration; increase regional productivity and create high-quality jobs; encourage inclusive growth by broadening economic opportunity across the community; and enable a just transition to net zero.



Grow

### Improving access to quality housing

See pages 18 to 21 of the **social sustainability report 2022**



Access to secure and quality housing is becoming increasingly challenging. We're uniquely placed to enact change and want to explore the opportunities to increase access to the benefits of home ownership, including through shared ownership, supporting a quality rental and social housing sector, taking the building of housing that supports inclusive communities further, and increasing the availability of specialist housing.



Grow

### Greening the built environment

See our **environmental sustainability report 2022**



Our objective is to help close the finance gap in greening the built environment in the commercial and residential UK market, creating employment, and addressing fuel poverty. There are opportunities for us to build on our financing to the social housing and commercial sector, broaden the finance and partnerships we make available to our mortgage customers, and our work on city-scale retrofit in the UK regions.



Grow

### Creating a more inclusive future

See pages 09 to 17, and pages 26 to 42 of the **social sustainability report 2022**



**Financial inclusion**  
We aim to support the financial needs of all groups of customers, either through our services or strategic partnerships, provide further support through the increased cost-of-living, and make our products, processes and services accessible and inclusive by design.

#### Inclusion and diversity

We will continue to create a fully inclusive organisation that is representative of modern-day Britain, where differences are embraced and everyone can reach their potential, and we will help communities to become more inclusive.



As we become a more purpose-driven organisation, we have an opportunity to play our part in helping the UK to meet the targets set by the UN Sustainable Development Goals (SDGs). They provide a common framework for us to identify how we can play a more active role in the sustainable development of UK society and help us frame how we use our operating model, scale, resources and skillsets to respond to some of the biggest societal challenges faced by the UK today.

When developing our purpose and strategic focus areas, we considered the SDGs with the highest materiality to our business and sector. We reviewed our commercial exposure, considering both the potential for positive impact as well as risk mitigation, and considered the spheres of influence that the Group may feasibly have an impact on, as well as those of highest impact to our key stakeholders.

Throughout this report and our social sustainability report 2022, we have demonstrated how our activities support the achievement of specific SDG sub-targets through selected examples and case studies. We also include selected non-financial performance indicators in the Group Balanced Scorecard that support the achievement of our ambitions, focus areas and the SDGs (see page 110 of the Lloyds Banking Group annual report and accounts 2022).

# Our focus is supported by our memberships and performance

ESG Index	2022	2021	2020
<b>MSCI</b> Scale: AAA to CCC, AAA as a best possible score	AA	AA	AA
<b>Sustainalytics</b> Scale: 0–100, 0 as a best possible score	19.5	20.6	23.3
<b>ISS ESG Corporate rating</b> Scale: A+ to D+; A+ as a best possible score	C+	C+	C
<b>S&amp;P Global CSA/DJSI</b> Scale: Ranking of companies, 100 as a best possible score	52	49	43
<b>FTSE4Good</b> Scale: 0–5, 5 as a best possible score	4.2	4.5	4.6
<b>Bloomberg ESG Disclosure</b> Scale: 0–00, 100 as a best possible score	59	58	58
<b>Bloomberg Gender–Equality Index</b> Scale: 0%–100%, 100% as a best possible score	82%	85%	87%
<b>Workforce Disclosure Initiative</b> Scale: Number of questions with a meaningful response expressed as a percentage, 100% as a best possible score	82%	95%	85%
<b>CDP</b> Scale: A to F, A as a best possible score	A–	A–	A–

## ESG ratings

We recognise the importance of globally established ESG rating agencies in helping to give our investors an accurate, fair and transparent view of our ESG performance. Throughout the year, we have continued to review and engage with a number of ESG rating agencies, and through our 2022 reporting, we have worked to enhance our disclosures to meet the requirements of both our investors and other stakeholders.

## Industry partnerships and commitments

By participating in global and regional partnerships and commitments, we collaborate with peers on industry initiatives to create positive change.

Key memberships which support our ESG approach:

Signatory of:

\* Since 2016, Lloyds Banking Group has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, environment, and anti-corruption



# ESG data and disclosures

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# Supporting our customers

We're the UK's largest financial services provider with more than 26 million customers. Our unique customer proposition enables us to serve the financial needs of our customers all in one place. We operate multiple brands through three core divisions: Retail; Commercial banking; and Insurance, Pensions and Investments.

Customer data	2022	2021	2020	2019	2018
<b>Digitally active customers</b>					
Number of digitally active customers	19.8m	18.3m	17.4m	16.4m	15.7m
<b>Customer lending</b>					
Total new mortgage lending <sup>1</sup>	£53,946m	£56,928m	£47,434m	£46,712m	£43,717m
Total new mortgage lending (residential only)	£46,632m	£50,524m	£40,218m	£41,679m	£38,124m
Amount lent to first time buyers	£14.3bn	£16.3bn	£13.6bn	£13.8bn	£12.4bn
New funding support provided for the social housing sector	£2.1bn	£3.4bn	£2.5bn	£2.3bn	£4.1bn
ESG-related funding support to the social housing sector	£1.0bn	£2.4bn	NR	NR	NR
<b>Customer support and help</b>					
Number of start-ups and small businesses supported <sup>2</sup>	95,607	93,048	32,344	109,108	124,182
Number of homes our Housing Growth Partnership <sup>3</sup> has committed to build with SME builders	2,264	1,363	264	799	837
Share of social bank accounts we support	24.9% <sup>4</sup>	26.6%	28.8%	31.3%	33%
Amount of additional funds made available to clients who have used the Mental Health and Money advice service <sup>5</sup>	£7.5m	£6.2m	NR	NR	NR

<sup>1</sup> Figure includes buy to let as well as residential lending.

<sup>2</sup> We have supported 95,607 start-ups, small businesses and non-profit organisations, by providing our customers with online support, business advice and business banking accounts.

<sup>3</sup> The Housing Growth Partnership is a socio-economic equity investment fund launched by Lloyds Banking Group and the Homes and Communities Agency.

<sup>4</sup> As at November 2022.

<sup>5</sup> Clients primarily benefit financially through access to previously unclaimed benefits or the reduction of interest payments through debts restructuring.

NR Not reported.



## Ensuring good customer outcomes

Our Group Customer Policy sets out how important it is to ensure that we are delivering good customer outcomes and we are transparent in all our dealings with them. We conduct regular monitoring to assess whether or not we meet our high customer service standards and colleagues’ remuneration is linked to outcomes.

### Conduct risk and responsible product development

We believe that consumers benefit from healthy competition between providers of financial services: providers compete vigorously and fairly, striving to offer excellent service and competitive products that meet their needs.

### Upholding competition law

The Group tolerates no anti-competitive practices that could lead to: interventions by competition authorities; or breaches of competition law, which may harm customers or have a significant financial or reputational impact on the Group.

The Group does not become involved in agreements or practices that are unlawful, such as colluding with our competitors to restrict competition or unlawfully fixing prices. We recognise that we must deal in good faith with all our trading partners including our suppliers and competitors. We recognise that competition law is not intended to stifle legitimate business. We believe that consumers benefit from healthy competition between providers of financial services and we compete vigorously and fairly, striving to offer excellent service and competitive products which meet our customers’ needs and provide good outcomes.



### Avoiding market abuse

We implement market abuse and personal account dealing procedures that are aligned with the UK’s market abuse legislation. Market abuse, such as trading on the basis of inside information, is a criminal offence in the UK, the US and many other countries. Colleagues are personally responsible for ensuring that they comply with this policy and do not abuse the market. We have monitoring systems in place to detect instances of market abuse and procedures to ensure that any detected instances are dealt with swiftly and effectively. This includes procedures to identify and report suspicious transactions where relevant.

### 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 comprehensive policy framework and procedures are in place throughout the Group to ensure appropriate controls and processes that deliver good customer outcomes, and support market integrity and competition requirements.

**A comprehensive policy framework and procedures are in place throughout the Group to ensure appropriate controls and processes that deliver good customer outcomes, and support market integrity and competition requirements.**

The product policy requires the customer needs to be considered throughout the customer journey and a robust oversight programme is in place to monitor compliance with this.

Continuous embedding of the customer vulnerability framework aligned with the FCA guidance on fair treatment of vulnerable customers remains a key focus. Development and continued oversight of the implementation of the vulnerability strategy remains through operating at a senior level to prioritise change, drive implementation and ensure consistency across the Group.

A robust product governance framework ensures that our products meet customer needs, deliver fair value and that the design and management of changes to a product offer good outcomes including those driven by the climate agenda. All risks are identified and appropriately managed throughout the life of the product. Where appropriate, these are reviewed and challenged by Business Risk Committees.

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.



# Customer complaints and satisfaction

Throughout 2022, we have focused on how we can continue to improve our customers' experience now and in the future.

## New technology

We have invested in new technology, and have begun replacing our complaint handling system with a more intuitive version to support colleagues further as they continue to focus on delivering great outcomes. Delivering this new system will create a foundation for the future of our complaint handling.

Customer complaint and satisfaction data ▼					
	2022	2021	2020	2019	2018
FCA reportable complaints (per 1,000 accounts) – Half year one <sup>1</sup>	2.7	2.8	2.6	2.9	3.9
FCA reportable complaints (per 1,000 accounts) – Half year two <sup>1</sup>	2.6	2.8	2.9	3	3.4
Customer satisfaction – Net promoter score <sup>2</sup>	67.7 <sup>3</sup>	69.3	68.8	66.0	63.4

- 1** Overall FCA complaints exclude Insurance and Pure Protection. The FCA changed the approach to complaint reporting in June 2016 and historic data is presented since this date.
- 2** Our channel net promoter score measures the customer perception of day-to-day services across our channel.
- 3** 1.1pts is attributable to the changing way customers use our channels with less customers using Branch which is highly rated leaving 0.5 which is effectively flat on year.

We report reportable complaints per 1,000 accounts in accordance within the FCA guidelines. A full breakdown by business can be found here: <https://www.fca.org.uk/data/complaints-data/firm-level>

## Colleague training

To complement our new system change, we are investing in colleague training, providing updated and refreshed guidance, focusing on the customer and their individual circumstances. In the current economic climate, it is more important than ever that our complaint handlers understand the customer's broader needs and circumstances, and how the same issue could impact customers differently.

## Digitisation

We have also focused this year on looking to the future and how we can create an excellent experience when a customer has cause to complain. We are continuing to test new customer communication solutions, building digital capability into the journey. This not only responds to what customers tell us they want but also reduces reliance on paper and post, which is a small part of our commitment to achieving sustainability targets in our operations.



## Economic crime

The Group's economic crime prevention strategy 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 and operate systems and controls within our stated risk appetite, and which are designed to meet legal and regulatory requirements. The Group is playing its part, building its capabilities, and implementing a clear vision to protect our customers, the economy and the bank from economic crime.

### Policy framework and colleague training

The Group is committed to complying with its legal and regulatory responsibilities in relation to economic crime prevention and has no appetite for non-compliance. Adopting a risk-based approach to managing economic crime risk, it gives the Group and its businesses the flexibility to focus our control framework on those customers, products, channels and jurisdictions that carry a higher risk of economic crime.

The Economic Crime Prevention (ECP) Policy sets out the minimum requirements to which all Group businesses must comply across four key risk areas: anti-bribery and corruption (ABC); anti-money laundering and counter-terrorist financing (AML); fraud; and sanctions. This holistic approach provides a consistent, proportionate and effective approach to managing overall economic crime risk.

Training in Economic Crime Prevention reflects the key requirements of the ECP Policy and is undertaken annually by all colleagues as part of colleague mandatory training.

### In action

## Using the proceeds of crime to fight crime – Project Olaf



**SDG 17.17:** Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships

In January 2022, the Group and the City of London Police (CoLP) partnered to launch a £7 million fund that uses frozen funds from the proceeds of crime against the criminals and to protect victims. The funds are captured from fraudsters by the Group's specialist money mule-hunting team. This first of its kind fund is investing in projects to increase education and awareness to keep people safe from attempted scams while also tracking down the perpetrators of these crimes.

Recipients of the funds include the Dedicated Card and Payment Crime Unit (DCPCU), a specialist team of police investigators who track down criminals through cyber investigations. Funding has also been provided to the National Economic Crime Victim Care Unit (NEVCU) to expand the support it provides to victims of fraud, through one-to-one telephone support, advice and aftercare. Since January 2022 NEVCU has supported over 3,700 victims.

Another funding recipient is Age UK's Scams Prevention and Support programme, which helps older people increase their knowledge and confidence in recognising and dealing with attempted scams. This helps to reduce the number of people falling victim and supports those who do in their recovery. Since its launch earlier this year, over 2,200 older people have attended scam awareness sessions, and a further 400 have received one-to-one support. Post-event feedback from one-to-one sessions shows that 99% of attendees felt more knowledgeable about how to reduce the chance of them being scammed.

**Since its launch earlier this year, over 2,200 older people have attended scam awareness sessions, and a further 400 have received one-to-one support.**



External engagement and partnerships

City of London Police

In 2018, the Group formed a partnership with the City of London Police (CoLP) to fight economic crime across the UK, committing £1.5 million to support the delivery of several joint initiatives. Due to its success, the Group has extended the partnership for a fourth year and in September 2022, a new Memorandum of Understanding was signed for joint commitment to an ongoing collaborative partnership. Our funding has enabled the expansion of the CoLP's intelligence development function, which is providing a tangible coordination role across national, regional and local policing to address high harm fraud.

Cyber Detectives

Leveraging our respective expertise, we jointly developed the Cyber Detectives education programme which now forms part of the PSHE (Personal, Social, Health and Economics) element of the national curriculum in England. This is the first national fraud initiative of its type targeted at young people. Over 4,500 schools have downloaded and delivered the training material to date. Work is in progress to implement the programme in Scotland, Wales and potentially New York, US.

Crooks on Campus

The Group and CoLP, in collaboration with Lancaster University, have partnered with We Fight Fraud to roll out a fraud education programme to university students, to help educate and prevent them becoming a money mule. An initial pilot across universities in London began in October, and a full national roll-out will follow this pilot. Crooks on Campus is a powerful criminal drama that brings to life the reality of organised financial crime and the consequences for students if they become a money mule, with the aim to promote awareness and behavioural change among the student population.

Stop Scams UK

The Group is an active supporter of Stop Scams UK. Working in partnership with other banks, telecoms and technology companies, we have created a new telephone hotline number – 159 – which connects customers directly and securely with their bank if they fear they are a victim of a scam or to check the authenticity of a caller.

North East Business Resilience Centre

The Group is a member of the North East Business Resilience Centre (NEBRC), a not-for-profit organisation bringing together experts across the cyber and fraud communities to improve cyber safety and reduce cybercrime by promoting awareness and delivering training to small businesses (often with fewer than 10 employees) and the local community. The Group has also promoted online and in-person events to educate our customers and promote the services of NEBRC.

Illegal wildlife trade

The illegal wildlife trade (IWT) is valued between 50–150 billion USD per year and is one of the five most lucrative global crimes that benefit organised criminal gangs. IWT continues to be an intelligence gap for the financial services sector, with no intelligence sharing protocols with law enforcement and sole reliance on Open Source Intelligence.

The Group continues to be an active member of the United For Wildlife (UFW) Financial Taskforce. In 2022 the Group's own UFW Working Group was proactively involved in several Taskforce projects which included: exploring ways to improve public private IWT Intelligence sharing, utilising various communication channels across the Group to promote IWT Education and Awareness, typology and red flag building through transactional network analysis of known IWT, looking at how the Group can support Project Seeker, and AI scanning technology to increase detection of IWT products trafficked through international airports.

Economic crime data					
	2022	2021	2020	2019	2018
Number of accounts suspected of mule activity blocked	32,251	38,348	NR	NR	NR
Millions frozen in victims' funds	£13.5m	£21.2m	NR	NR	NR

NR Not reported.





# Cyber security and resilience

Customers trust us to keep their money and data safe, and the Group deploys sophisticated technology to protect both. The Group works continuously to bolster defences against cyber-attacks through adopting a threat-led approach and enhancing our preventative, detective and responsive controls. We also recognise the importance of secure behaviours and continue to educate our customers and colleagues on cyber threats.

## Governance

Cyber security maintains a high level of focus right up to Board level, with regular updates to the Board and Group Risk Committees, along with a dedicated quarterly Board sub-risk forum focused on cyber security, IT resilience and operational resilience. Cyber and data security forms a part of the Group's wider operational resilience framework, which continues to enhance the Group's resilience to 'maintain the expected through the unexpected'. An ongoing focus area of the Group is to continue to embed a culture of resilience and security across the Group and its key third parties.

## Operational management frameworks

The Group utilises a range of identified best practice guidance as inputs to our Security Policy Frameworks including the NIST cyber security framework, ISO 27000, and PCI DSS. In addition, we undertake legal, regulatory and best practice horizon scanning to proactively identify updates to the framework or opportunities to respond to regulation, alongside our annual policy refresh cycle. In 2022, external certification of the Group's security controls in the form of a SOC2 report was achieved covering our Commercial banking and Insurance, Pensions and Investments businesses. This is the first time that such a report has been completed, which provides an independent assessment of the design and operational effectiveness of the Group's security controls.

## Training

All Group colleagues and contractors must complete an annual mandatory four-part Security Training programme, which highlights the key threats and risks that colleagues face and how to reduce and avoid them. We also publish daily articles and news on our SharePoint and Yammer channels and a monthly newsletter, alongside regular webinars, presentations and events. Our phishing simulation programme allows colleagues to spot phishing emails and receive training as necessary. Certain identified colleagues in the Group complete further mandated training specific to their role or risk profile.

## Incident management and intel-led security testing frameworks

The Group maintains strong and practised incident management frameworks, demonstrated during the COVID-19 pandemic. We have continued exercising our incident management frameworks and teams right up to Board level, focusing on cyber security scenarios and threats, and participating in the Bank of England sector SIMEX exercise.

The Group carries out active security testing of internal and external systems, utilising the expertise of in-house advanced security testing capability and external CREST accredited security experts.

## Collaboration

Recognising that cyber security is a material issue impacting our entire sector, the Group collaborates externally, working in conjunction with our sector peers and government on initiatives such as the Financial Services Cyber Collaboration Centre, working with the UK Government's National Cyber Security Centre, and the Cross-Market Operational Resilience Group. We work closely with other banks, recognising the importance of collaboration when it comes to security, including being part of the Cyber Defence Alliance.



# The 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 The Equator Principle transactions, due to our internal referral and risk assessment process. This includes detailed Environmental Due Diligence and Technical Advisor 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.

Project Finance Advisory Services	
Advisory by industry sector	
Mining	0
Infrastructure	0
Oil and gas	0
Power	0
Other	0
Advisory by region	
Americas	0
Europe, Middle East and Africa	0
Asia Pacific / Oceania	0

Project Finance	
Loans by category <sup>1</sup>	
Category A	0
Category B	5
Category C	0
Loans by region	
Americas	0
Europe, Middle East and Africa	5
Asia Pacific / Oceania	0
Loans by industry sector	
Mining	0
Infrastructure	0
Oil and gas	0
Power	5
Other	0
Loans by country designation	
Designated country	5
Non-designated country	0
Category A, B and C loans with an independent review	5

Project-Related Corporate Loans	
Loans by category <sup>1</sup>	
Category A	1
Category B	1
Category C	0
Loans by region	
Americas	0
Europe, Middle East and Africa	2
Asia Pacific / Oceania	0
Loans by industry sector	
Mining	0
Infrastructure	2
Oil and gas	0
Power	0
Other	0
Loans by country designation	
Designated country	0
Non-designated country	2
Category A, B and C loans with an independent review	2

Project-Related Refinance and Project Related Acquisition Finance	
Loans by region	
Americas	0
Europe, Middle East and Africa	0
Asia Pacific / Oceania	0
Loans by industry sector	
Mining	0
Infrastructure	0
Oil and gas	0
Power	0
Other	0
Loans by country designation	
Designated country	0
Non-designated country	0

<sup>1</sup> 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.

# Our employees

More than 63,000 colleagues work across the Group and the success and growth of our business is dependent on them. They live and work across every corner of the UK, representative of modern-day Britain whereby everyone can reach their potential.

Both our **gender pay gap** and **ethnicity pay gap reports** can be downloaded here



**1** Employee numbers include PPI; the UK number includes Guernsey, IOM, Jersey and Gibraltar. Totals do not include agency resources. Totals include resource supporting PPI.

**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** The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the Board. GEC includes the Group Chief Executive and excludes colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant). GEC and GEC direct reports includes the Group Chief Executive and colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant).

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

Employee data					
	2022	2021	2020	2019	2018
Employees (on a full-time equivalent equivalent basis <sup>1</sup> at 31 December)	59,354	57,955	61,577	63,069	64,928
Employees in UK	58,624	57,170	60,803	62,327	64,222
Employees outside of the UK <sup>1</sup>	730	785	774	742	706
Percentage of full-time employees	76.6%	75%	75%	NR	NR
Percentage of colleagues split by level (junior, middle and senior) <sup>2</sup>					
Junior	51.6%	54%	56%	NR	NR
Middle	37%	35%	34%	NR	NR
Senior	11.3%	11%	10%	NR	NR
Percentage of colleagues split by age					
<20	0.7%	0.4%	1%	NR	NR
>=20 & <30	15.7%	15.7%	18%	NR	NR
>=30 & <40	29%	29.5%	29%	NR	NR
>=40 & <50	26.5%	26.9%	26%	NR	NR
>=50 & <60	23.4%	23%	22%	NR	NR
>60	4.7%	4.5%	4%	NR	NR
Employee gender					
Percentage of total employees who are women	57.3%	57.8%	57.9%	58.2%	58.2%
Percentage of women managers	46.7%	46.1%	45.9%	46.2%	46.1%
Percentage of women senior managers <sup>✓</sup>	39.4%	37.7%	37%	36.8%	35.3%
Percentage of women GEC <sup>3</sup> and GEC direct reports	41.7%	33.3%	32.3%	31.1%	NR
Percentage of women Board members	45.5%	40.0%	33.3%	30.8%	30%
Percentage of women recruits in the Group's graduate programme <sup>4</sup>	47.1%	39%	29%	41%	48%
Percentage of women recruits in the Group's apprenticeship programme <sup>4</sup>	52.7%	57.1%	53.9%	51.3%	58.5%
Employee ethnicity					
Black/African/Caribbean/Black British	1,450	1,082	NR	NR	NR
Asian	6,020	4,874	NR	NR	NR
Other ethnic group	1,211	1,262	NR	NR	NR
White British or other White	46,986	45,420	NR	NR	NR
Prefer not to say	1,365	1,530	NR	NR	NR
Not disclosed	7,540	9,470	NR	NR	NR
Percentage of colleagues from an Ethnic Minority background <sup>✓</sup>	13.4%	11.3%	10.6%	10.2%	9.5%
Percentage of senior managers from a black heritage background	1.4%	1.0%	NR	NR	NR
Percentage of senior managers from an Ethnic Minority background <sup>✓</sup>	10.2%	8.8%	7.7%	6.7%	6.4%
Percentage of apprentices from an Ethnic Minority background	21.3%	11.7%	14.2%	11.6%	12.8%
Percentage of graduates from an Ethnic Minority background	43%	42.5%	NR	NR	NR

Data is sourced from the HR system (Workday) containing all permanent colleague details. All data is at 31 December 2022. All diversity information for ethnicity, disability, sexual orientation and gender identity is based on self-declaration by colleagues. Our systems do not record diversity data of colleagues who have not declared this information and is for UK payroll only. 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 calculations are based on headcount, not full-time employee value.

**NR** Not reported for that reporting period.

✓ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2022 Annual Responsible Business Reporting. Deloitte's 2022 Assurance Statement and the 2022 consolidated reporting criteria are available to download in our Responsible Business downloads centre.



- 5
- We have improved the way we capture disability in the HR system, Workday, and have delivered numerous disclosure campaigns to raise awareness and understanding of the importance of sharing disability data.
- 6
- The report is completed with data from April to April. The 2022 report covers from April 2021 to April 2022. The report is available at <https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html>.
- 7
- The mean pay gap is the difference between the average hourly earnings of White colleagues (ethnicity) or men colleagues (gender) and the average hourly earnings of Ethnic Minority colleagues (ethnicity) or women colleagues (gender). The median pay and bonus gaps are based on arranging all the pay amounts in numerical order and selecting the middle amounts. The mean bonus gap is the difference between the mean average bonus payment received by White colleagues (ethnicity) or men colleagues (gender) and the mean average bonus payment received by Ethnic Minority colleagues (ethnicity) or women 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.
- 8
- No bonuses were paid in 2020, except for deferred payments from previous years.
- 9
- Based on the job requisition being advertised in 2022.
- 10
- All colleagues are paid above the Real Living Wage rate (set by the Living Wage Foundation) as the pay ranges are set well above the Living Wage rate. The new Real Living Wage rates were announced in September 2022 and through the Living Wage Foundation the new rates must be implemented by May 2023. As part of the April annual pay review this is the point that the Group would ensure all colleagues are paid at least the new 2022 Living Wage Rates.
- 11
- 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).

Employee data continued					
	2022	2021	2020	2019	2018
<b>Colleague disability data</b>					
Percentage of colleagues who disclose they have a disability	6.5% <sup>6</sup>	3.7%	3.2%	2.8%	1.7
<b>Colleague sexual orientation</b>					
Percentage of colleagues who disclose their sexual orientation	68.6%	NR	NR	NR	NR
<b>Colleague gender identity</b>					
Percentage of colleagues who disclose their gender identity	49.6%	NR	NR	NR	NR
<b>Employee pay gap reporting<sup>8,7</sup></b>					
Mean ethnicity pay gap	4.6%	5.3%	6.8%	NR	NR
Median ethnicity pay gap	12.6%	13.1%	14.8%	NR	NR
Mean ethnicity bonus gap	12.1%	n/a <sup>8</sup>	26.3%	NR	NR
Median ethnicity bonus gap	29%	n/a <sup>8</sup>	32.5%	NR	NR
Mean gender pay gap	29.3%	29.9%	30.5%	30.9%	31.5%
Median gender pay gap	34.8%	34.2%	33.6%	33.5%	32.8%
Mean gender bonus gap	51.4%	n/a <sup>8</sup>	62.5%	64.2%	66.4%
Median gender bonus gap	38%	n/a <sup>8</sup>	69.5%	41.8%	60.8%
<b>Other employee data</b>					
Average years of service/tenure	14	15	NR	NR	NR
Employee turnover rate (per headcount)	10%	11%	6.45%	NR	NR
Voluntary employee turnover (per headcount)	8%	7%	NR	NR	NR
Percentage of vacancies covered internally <sup>9</sup>	75.7%	66.2%	NR	NR	NR
Percentage of colleagues participating in our in-house pension scheme	97.94%	97.46%	NR	NR	NR
Percentage of colleagues who are above the living wage <sup>10</sup>	100%	100%	NR	NR	NR
Number of colleagues who have used family and dependent leave permits <sup>11</sup>	3,204	4,819	7,210	NR	NR

Data is sourced from the HR system (Workday) containing all permanent colleague details. All data is at 31 December 2022. All diversity information for ethnicity, disability, sexual orientation and gender identity is based on self-declaration by colleagues. Our systems do not record diversity data of colleagues who have not declared this information and is for UK payroll only. 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 calculations are based on headcount, not full-time employee value.

**NR** Not reported for that reporting period.

Our employees continued

### Group pension scheme

The Group has 98 per cent of our employees participating in the in-house pension schemes. The Lloyds Banking Group Pensions Trustees Limited, which is responsible for managing the largest Group pension schemes, also shares the commitment to reduce carbon emissions by at least 50 per cent of its c.£35 billion investments by 2030, and net zero by 2050. As part of this, and in response to member feedback, the Lloyds Banking Group Pensions Trustees Limited integrated ESG considerations into its investment strategy, allowing our colleagues in the defined contribution schemes to opt to participate in an ESG-aligned pension investment.

### Remuneration

The Group was one of the first large UK companies to make a £1,000 payment to all 63,000 colleagues<sup>1</sup> in August 2022 to help with living costs. We also made information and resources available through our Healthy Finances Hub and Employee Assistance Programme to enable colleagues to support themselves and we worked closely with our recognised unions Accord and Unite to rapidly agree the 2023 pay deal, to bring certainty and support to those that needed it most. This provides pay increases of between 8 per cent and 13 per cent for around 43,000 colleagues, although the overall increase to the pay bill was materially lower at 6.3 per cent, as spend was directed to our lowest paid colleagues.

All Group employees receive a competitive reward package. To encourage ownership, colleagues are eligible to participate in HMRC-approved share plans.

Further information is provided in our **annual report and accounts 2022**.

### Freedom of association and collective bargaining

We support our 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 which collectively consult and negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide) and have engagement with the CEO, Group Executives and Board members.

### Employee training and development

We recognise that the world of work is changing, technology is advancing, and skills needed today will be obsolete in the future. As the UK faces challenges with skills shortages, we are investing in our colleagues to be the key to our future success. We are developing the deep technical skills we need now and in the future and have developed a reskilling proposition, so we can nurture and retain talent by providing opportunities for second, third and even fourth careers, allowing colleagues to move freely around the Group.

Further information on how we support, train and develop our colleagues can be found in our **social sustainability report 2022**, page 38

Colleague learning and development data					
	2022	2021	2020	2019	2018
Average formal learning days <sup>1</sup>	4.3	4.1	3.7	NR	NR
Average formal days of non-mandatory training <sup>1</sup>	1.2	1.9	1.5	NR	NR
Total number of training hours <sup>1</sup>	2.12m	2.05m	1.89m	NR	NR
Average formal days of mandatory training <sup>1</sup>	3.1 <sup>2</sup>	2.2	2.1	NR	NR
Number of hours used for Professional Qualification development	217,748	224,181	57,888	NR	NR
Percentages of colleagues who have completed mandatory training	96%	97%	95%	NR	NR
Number of colleagues trained as Mental Health Advocates	389	1,014	1,094	726	NR
Number of colleagues who have completed Sustainability e-learning	56,296	23,000	NR	NR	NR
Number of new apprentices within the Group	550	763	824	1,119	1,511
Number of graduates within the Group	189	146	NR	NR	NR
Average training hours split by grade <sup>3</sup>					
Junior	30.83	28.84	29.78	NR	NR
Middle	22.47	24.25	18.41	NR	NR
Senior	25.34	27.96	18.60	NR	NR

<sup>1</sup> Based on Headcount – per employee.  
<sup>2</sup> Increased shift to mandatory learning demonstrates improved accuracy of our data model.  
<sup>3</sup> 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).  
**NR** Not reported.

Employee engagement

We want people to love working here. With more than 63,000 colleagues working across the Group, we welcome their views and opinions on a range of topics to help them grow and us to grow as a business.

In 2022 we refreshed how we listen to our colleagues to provide a more regular and complete picture of sentiment.

This included redesigning our annual survey and running monthly pulse surveys to capture timely feedback, which we share with leaders to take swift action

Further information on how listen to our colleagues and measure colleague engagement can be found in our **social sustainability report 2022**, page 35



Health and safety

Ensuring a safe working environment is key to the operation of the Group as we are an organisation dependent on our people. Our Health and Safety Policy issued by our CEO demonstrates the commitment of the Group to providing a safe working environment.

In 2022, we designed and launched our new Health and Safety Management System to cover the end-to-end requirement of the Group and aligned to international standards. Arranged into 11 standards it covers: the management of health and safety; hazardous substances; electrical safety; workplace environment; noise, vibration, and physical agents; transport and vehicle safety; pressure systems; work equipment; accidents and incident reporting and response; fire and explosion; and construction, maintenance and high-risk activities.

We are continually working to create an environment where employees, customers and contractors are not exposed to harm and in 2022, we have seen a nine per cent decrease in injuries to our employees and an 11 per cent decrease in injuries to members of the public.

All colleagues have easy access to our health and safety subject matter experts and can learn from the Group-wide health and safety community through our health and safety SharePoint site and our Health and Safety team are available to support colleagues by answering their queries.

Employee engagement data					
	2022	2021	2020	2019	2018
EI – Employee Engagement Index	75%	72%	81%	74%	73%
Confidence and Trust Index	82%	75%	NR	NR	NR

Health and safety data					
	2022	2021	2020	2019	2018
Absentee rate	2.98%	3%	NR	NR	NR
Total recorded accidents involving injury <sup>1</sup>	567	674	792	1,274	1,485
Slips, trips and falls <sup>1</sup>	216	238	334	408	443
RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)	31	49	22	39	37
Number of risk assessments and inspections completed by specialist health and safety auditors <sup>2</sup>	3,285	3,445	NR	NR	NR

**1** Excludes no injury and natural causes.

**2** Office Annual Risk Assessments by Mitie = 66.  
Bi-annual office inspections by Mitie = 94.  
Bi-annual monthly Branch inspections by Mitie = 2,523.  
Fire risk assessments – Office and Branch by Bureau Veritas = 602.

**NR** Not reported.



# Whistleblowing – helping colleagues do the right thing

We seek to maintain a culture where our people feel supported, included and empowered. Our values lie at the very heart of that culture, where colleagues feel comfortable being honest with each other and bold enough to challenge anything that doesn't feel right. That way we can address issues quickly, to prevent harm to our customers, colleagues or business.

Everyone is encouraged to speak up if something doesn't feel right, or they see inappropriate behaviour, and there are a variety of channels available to support this:

- **Engage directly with their line manager or Human Resources** representative in the first instance and to raise any concerns they may have
- **'Let's Talk'** provides support to colleagues to help them work through personal employment issues and decide on the appropriate action. It gives the colleague and their manager the tools and knowledge to resolve most personal employment issues together, in an informal way
- **Speak Up.** If a colleague feels unable or unwilling to report their concerns to a manager directly, they can raise their concern via the Group's Speak Up service, either confidentially or anonymously. The Group's Speak Up policy and procedures are designed to protect all colleagues from any harm or retaliation after raising a concern

## Speak up

During 2022, we continued to identify and implement Speak Up process improvements. Our Speak Up arrangements were reviewed independently, and we have simplified them further, building upon the principles and practices that underpin robust investigations, improving our case management processes and our communications with colleagues. Speak Up concerns are dealt with as swiftly as possible and addressed in a 'risk-based' and proportionate manner. This approach has helped support culture change across the Group and reduce any unintended impact on colleagues. Colleague Focus Groups have helped us to build confidence in our whistleblowing programme further and to collectively identify areas that would encourage people to raise their concerns. Examples include publishing case studies highlighting the positive reporter experience and sharing statistics on volumes and case outcomes to demonstrate we take concerns seriously and take action.

In 2022, colleagues reported 479 concerns. 68 were investigated formally, the remainder were managed through other Group processes. 48 per cent of the investigations closed in 2022 were found to be substantiated and this resulted in some form of remedial action. We continued to work closely with the Inclusion and Diversity team during 2022. They supported us in addressing concerns raised and developing education and training material on sensitive topics. Non-financial misconduct concerns reported within the Group, (such as those related to culture, sexual harassment and fitness and propriety concerns) have also reduced over the last year. While Group colleagues report their concerns about financial misconduct and potential customer detriment openly, the most common types of concern raised confidentially in 2022 were behavioural issues, including managerial harassment and 'friction' in their working relationships. This reflected the challenges of hybrid working post-Covid, a gradual return to the office and new working arrangements. The majority of these cases were dealt with without the need for additional formal investigation and resolved.

## Whistleblowing champions

The Group engages four Non-Executive Directors as Whistleblowing Champions for all legal entities, Group; Insurance, Pensions and Investments; Lloyds Bank Corporate Markets; and Embark. They are responsible for oversight of Speak Up arrangements in their respective legal entities, ensuring that the confidential reporting system remains a reliable and independent channel for colleagues to report suspected wrongdoing. The Whistleblowing Champions are also responsible for ensuring that colleagues are protected from any form of victimisation, should they report a concern. Each business

area also has a Speak Up Officer, supporting Speak Up activity, forming an invaluable network across the Group and providing insights and sharing lessons identified during investigations into the respective business areas.

As a member of Protect, the UK's Whistleblowing Charity, the Group has pledged to work to maintain a culture where whistleblowers can speak up freely without fear of victimisation, in the knowledge that we will listen to and act on concerns. We are committed to continually improve our Speak Up arrangements so that the Group can learn lessons and improve from the concerns raised through Speak Up.

Whistleblowing data				
	2022	2021		
Number of concerns reported by colleagues	479	351		
Number of investigations opened	68	78		
Number of investigations closed	67	130		
Number of investigations closed which were substantiated <sup>1</sup>	32	63		
Percentage of colleagues who have completed Speak-Up e-learning	95%	NR		
Numbers of reports of modern slavery through our Speak-Up service	0	0		

1 Where cases were substantiated, appropriate action was taken to rectify the situation.

NR Not reported.

To ensure greater transparency in our reporting disclosures and to meet the expectations of our stakeholders, from 2021, we began to report colleague 'Speak Up' data publicly for the first time.

## Code of Ethics and Responsibility

The Code of Ethics and Responsibility is a guide and reference point for every colleague and underpins our purpose, bringing together all of the different elements that define how we work and ensure that we do business responsibly.

The Code 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 Group employees, contractors and agency employees, whether or not they are working with customers directly. Lloyds Banking Group demonstrates that we understand these obligations fully by ensuring all colleagues complete mandatory training every year. We promote high ethical standards and do not tolerate any circumvention of our economic crime prevention policies. We're a member of Transparency International UK's Business Integrity Forum – a network of major international companies committed to high anti-corruption and ethical standards in business practices.

Our **Code of Ethics and Responsibility** can be downloaded from here



# Community investment

Sitting at the heart of communities across the UK, we play an active role in helping them in a number of different ways including colleague volunteering; support for community groups and organisations; donations to our independent Foundations; and fundraising for local charities.

Further information on how we support our communities and work with our charity partners can be found in our **social sustainability report**, page 41

Our community investment data <sup>1</sup>					
	2022	2021	2020	2019	2018
Total community investment <sup>✓</sup>	£42.6m	£46m	£51m	£51m	£56m
Cash donations <sup>✓</sup>	£31m	£35.6m	£39m	£34m	£40m
Employee time <sup>✓</sup>	£2.9m	£2.1m	£2.7m	£5.3m	£4.4m
Management costs <sup>✓</sup>	£3.6m	£3.6m	£4.0m	£3.7m	£5.3m
In-kind giving <sup>✓</sup>	£34,674	£22,155	£63,700	£65,245	£74,751
Leverage <sup>✓</sup>	£5m	£4.7m	£5.7m	£7.3m	£6.4m
Total amount donated to the Lloyds Bank, Halifax, and Bank of Scotland Foundations	£22.4m	£25.5m	£25.5m	£25.9m	£25.2m
Percentage of community investment from Lloyds Bank Foundation for England and Wales supporting ethnic minority charities	29%	23%	NR	NR	NR
Number of charities that the four Foundations supported with a grant <sup>2</sup>	2,723	1,868	2,787	2,929	3,113
Number of manufacturing apprentices, graduates and engineers trained as a result of our £1m annual investment in the Lloyds Bank Advanced Manufacturing Training Centre	666	798	296	561	354
Number of social entrepreneurs supported through the Lloyds Bank and Bank of Scotland social entrepreneurs programmes	2,723	1,868	2,787	2,929	3,113
Funds raised for Charity of the Year (including Matched Giving <sup>2</sup> )	£2.1m	£1.2m	£2.3m	£2.3m	£3.8m
Percentage of colleagues engaged in volunteering activities <sup>3</sup>	19%	8%	NR	NR	NR
Colleague volunteers	12,372	6,259	10,986	30,993	35,575

**1** All our community investment data is reported in line with the Business for Societal Impact (B4SI) Framework

**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** UK based colleagues only.

**NR** Not reported.

<sup>✓</sup> Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2022 Annual Responsible Business Reporting. Deloitte's 2022 Assurance Statement and the 2022 consolidated reporting criteria are available to download in our Responsible Business downloads centre.

# Environmental performance

We are embedding sustainability into our business priorities, both in terms of our own operations and how we do business with others. We're continually identifying, measuring and disclosing the biggest climate risks and opportunities while working toward our net-zero ambitions.

Further information on our approach to sustainability, can be found in our **environmental sustainability report 2022** [↗](#)

2021/2020, 2020/2019, 2019/2018, 2018/2017 emissions restatement of energy data to reflect actual data instead of estimates – in line with disclosures in 2022 Annual Reporting suite.

1 Working from home emissions are calculated for 2022, 2021 and 2020 reporting year only. Emissions increase due to the working from home activity continuing over the UK winter months.

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Environmental performance data						▼
		2021–22	2020–21	2019–20	2018–19	
Operational carbon emissions (tCO <sub>2</sub> e)	Scope 1 emissions✓	27,498.42	31,938.60	33,708.58	42,578.56	
	Scope 1 – gas	19,965.63	24,970.06	24,346.78	26,329.48	
	Scope 1 – refrigerant	4,693.58	5,403.76	5,081.90	7,141.71	
	Scope 1 – others	2,839.21	1,564.77	4,279.90	9,107.37	
	Scope 2 emissions (market-based)✓	–	–	–	386.61	
	Scope 2 emissions UK	–	–	–	–	
	Scope 2 emissions International	–	–	–	386.61	
	Scope 2 emissions (location-based)✓	59,446.52	71,679.61	87,624.51	107,529.65	
	Scope 2 emissions UK	58,841.24	70,970.69	86,624.19	105,447.60	
	Scope 2 emissions International	605.28	708.92	1,000.32	2,082.06	
	Scope 3 emissions Total	88,466.06	NR	NR	NR	
	of which total scope 3 operational emissions	88,466.06	80,485.04	81,013.44	131,664.05	
	Scope 3 emissions (Lloyds Banking Group Supply Chain)	747,409	NR	NR	NR	
	Category 1: Purchased Goods and Services	612,806	NR	NR	NR	
	Category 2: Capital Goods	71,535	NR	NR	NR	
	Category 4: Upstream Transportation and Distribution	63,068	NR	NR	NR	
	Scope 3 emissions (Lloyds Banking Group operational emissions)✓	88,466.06	80,485.04	81,013.44	131,664.05	
	Category 3: Upstream fuel and Energy	25,497.78	28,322.39	24,881.51	31,278.87	
	Category 5: Waste generated in operations	201.38	246.60	389.60	2,324.83	
	Category 6: Business Travel	6,213.28	1,266.28	11,015.96	31,423.39	
	Air	3,524.34	155.73	6,406.89	20,173.81	
	Train	846.79	85.74	1,437.31	4,054.71	
	Taxi	70.64	45.36	134.04	304.96	
	Hotel	519.69	49.08	1,183.67	3,808.06	
	Road vehicles	1,251.80	930.37	1,854.05	3,081.86	
	Category 7: Employee commuting and teleworking	56,553.62	50,649.77	44,726.36	66,636.96	
	Homeworking1	28,148.79	31,385.22	4,008.18	–	
Commuting	28,404.83	19,264.56	40,718.18	66,636.96		
Scope 3 emissions (other categories)						
Category 8: Upstream leased assets	Figures are included in Scope 1 and 2					
Category 14: Franchises	All Lloyds Banking Group brands are incorporated within our direct operational control and thus reported within other values					
Category 15: Investments (financed emissions)	Financed emissions are disclosed separately in the environmental sustainability report 2022					
Total carbon emissions (tCO <sub>2</sub> e)	Total Lloyds Banking Group emissions, including supply chain (market-based)	115,964.48	NR	NR	NR	
	Total Lloyds Banking Group emissions, including supply chain (location-based)	175,411.00	NR	NR	NR	
	Total emissions (market-based)✓	115,964.48	112,423.64	114,722.02	174,629.23	
	Total emissions (location-based)✓	175,411.00	184,103.25	202,346.53	281,772.27	
	Total Scope 1 and 2 (market-based)✓	27,498.42	31,938.60	33,708.58	42,965.18	
	Total Scope 1 and 2 (location-based)✓	86,944.94	103,618.21	121,333.09	150,108.22	
	Total Scope 3✓	88,466.06	80,485.04	81,013.44	131,664.05	



Environmental performance data continued		2021-22	2020-21	2019-20	2018-19
Emissions ratio by £m	GHG emissions (tCO <sub>2</sub> e) per £m of underlying income (location-based)	9.52	11.35	13.24	15.56
	GHG emissions (tCO <sub>2</sub> e) per £m of underlying income (market-based)	6.30	6.93	7.50	9.64
Emissions ratio by FTE	tCO <sub>2</sub> e emissions per FTE (location-based)	2.96	3.18	3.29	4.47
	tCO <sub>2</sub> e emissions per FTE (market-based)	1.95	1.94	1.86	2.77
Energy breakdown and totals	UK total energy consumption (GWh)	419.78	469.40	515.55	587.62
	Breakdown by source				
	Direct energy consumption by source – gas (GWh)	107.83	134.45	130.78	141.56
	Direct energy consumption by source – oil (GWh)	3.87	3.33	2.22	5.06
	Indirect energy consumption by source – electricity (GWh)	296.71	325.85	362.23	401.45
	Vehicles	11.37	5.77	20.32	39.56
	Breakdown by utilisation point				
	Total building energy (GWh)	408.41	463.63	495.23	548.06
	Total fleet energy (GWh)	11.37	5.77	20.32	39.56
	Company vehicle energy (GWh)	7.37	2.80	14.44	29.99
	Grey fleet energy (GWh)	4.01	2.97	5.88	9.58
	International total energy consumption (GWh)	4.48	4.97	5.25	6.22
	Total energy consumption (GWh)✓	424.26	474.37	520.80	593.84
	Year-on-year reduction in total energy	11%	9%	12%	–
Renewable	Renewable electricity used (GWh)	300.13	330.27	370.56	405.12
	Self-generated renewable electricity (GWh)	–	–	–	–
	% of renewable electricity vs total electricity consumption	100.0%	100.0%	100.0%	100.0%
	% of renewable electricity vs total energy consumption	70.7%	69.6%	71.2%	68.2%
Water	Water consumption (m3)	670,175.15	691,231.08	864,066.01	998,043.09
	Percentage of reduction of water consumption	3%	20%	13%	–
Waste	Operational waste (tonnes)	6,181.22	6,227.63	8,521.53	13,584.82
	Combined total waste (landfill and recycling) (tonnes)	5,903.08	5,817.39	7,934.25	12,609.08
	Percentage of operational waste diverted from landfill	0.97	0.96	0.95	73%
	Percentage of reduction of our operational waste	1%	27%	37%	–
Operational climate pledges	Percentage of targeted reduction achieved				
	Net zero carbon emissions by 2030 (Scope 1 and 2, market-based), 2018/19 baseline	36%	26%	22%	–
	50% reduction in absolute building energy consumption by 2030, 2018/19 baseline	25%	15%	10%	–
	80% reduction in operational waste by 2025, 2014/15 baseline	72%	72%	62%	39%
	Maintain business travel emissions at or below 50% of 2018-19 emissions	66%	80%	48%	–
	40% reduction in water by 2030, 2009 baseline	50.3%	48.8%	35.9%	26.0%
Operational climate pledges	Year on year reduction achieved				
	Net zero carbon emissions by 2030 (Scope 1 and 2, market-based), 2018/19 baseline	14%	5%	22%	–
	50% reduction in absolute building energy consumption by 2030, 2018/19 baseline	12%	6%	10%	–
	80% reduction in operational waste by 2025, 2014/15 baseline	1%	27%	37%	10%
	Maintain business travel emissions at or below 50% of 2018-19 emissions	–72%	62%	48%	–
	40% reduction in water by 2030, 2009 baseline	3%	20%	13%	1%

**NR** Not reported.  
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# Group financial performance

In 2022, the Group have achieved a robust financial performance with continued business momentum and good strategic progress.

Our full year 2022 financial results can be found on pages 46 to 70 of our **annual report and accounts 2022**



<sup>1</sup> Costincome ratio including remediation.

<sup>2</sup> 2022, 2021, 2019 and 2018 are reported on a pro forma basis, reflecting the dividend paid up by the Insurance business and declared share buybacks.

<sup>3</sup> Between October 2021 and September 2022.

Group financial performance					
	2022	2021	2020	2019	2018
Underlying profit before tax	£7,448m	£7,536m	£1,742m	£7,172m	£7,588m
Statutory profit before tax	£6,928m	£6,902m	£1,226m	£4,393m	£5,960m
Ordinary dividend pence per share	2.40p	2.00p	0.57p	1.12p	3.21p
Statutory return on tangible equity (existing basis)	13.5%	13.8%	2.3%	6.6%	10.6%
Cost:income ratio <sup>1</sup>	50.4%	61.0%	59.6%	51.1%	52.4%
Common equity tier 1 ratio <sup>2</sup>	14.1%	16.3%	16.2%	13.8%	13.9%
Earnings per share	7.3p	7.5p	1.2p	3.5p	5.5p
Net income	£18,048m	£15,763m	£14,404m	£17,142m	£17,768m
Staff costs	£2,511m	£2,405m	£2,573m	£2,539m	£2,482m
Total amount paid to suppliers	£4.7bn <sup>3</sup>	£4.6bn	£5.1bn	£5.9bn	£5.8bn

Our total tax contribution					
	2022	2021	2020	2019	2018
Tax paid	£2.1bn	£2.6bn	£2.1bn	£2.9bn	£2.6bn
Tax collected	£1.8bn	£1.6bn	£1.9bn	£1.9bn	£2.0bn



## Our approach to tax

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 for several years.

In 2022, we paid £2.1 billion of cash taxes. This was primarily on business profits, VAT on goods and services needed to run our business, bank levy and employer social security on staff wages and salaries. In addition, we collected £1.8 billion of cash taxes primarily from payroll taxes and customer product taxes.

Appropriate, prudent and transparent tax behaviour is a key component of being a responsible business. 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.

Further information on the Group's approach to tax can be found in our **2022 Tax Strategy and Approach to Tax Report**





**Head office**

25 Gresham Street  
London EC2V 7HN  
+44 (0)20 7626 1500  
[www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com)

**Registered office**

The Mound  
Edinburgh EH1 1YZ  
Registered in Scotland no. SC095000