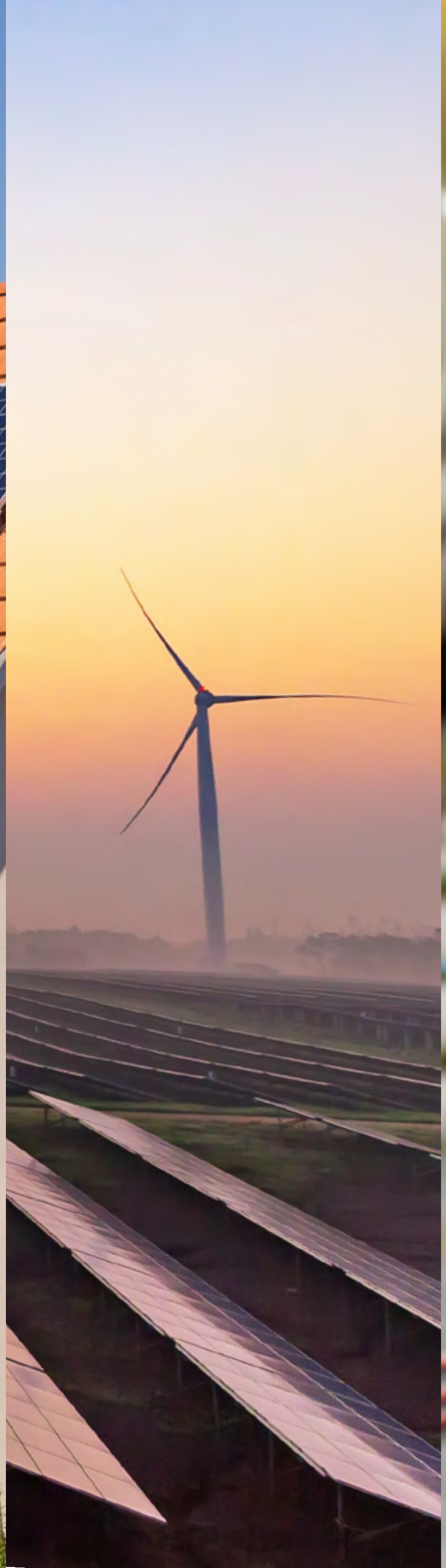
LLOYDS BANKING GROUP

# Net Zero Activity Update

Lloyds Banking Group October 2022



# Foreword

## Supporting the transition to a low carbon economy aligns with our purpose to Help Britain Prosper. Our focus on the transition is core to our strategy as this is an area where we can make a real difference, whilst also creating opportunities for future growth.

## We recognise the importance of transitioning to net zero by 2050 or sooner and our role in helping to enable and drive that transition in the real economy.

As the bank of choice for millions of consumers and businesses across the UK, our commitment to financing the transition to a low-carbon economy seeks to support the significant transformation required across the economy to reach net zero.

We are committed to achieving net zero across the activities we finance by 2050 or sooner. In our banking activity, we have an ambition to work with customers, government and the market to help reduce the emissions we finance by more than 50 per cent by 2030. Through Scottish Widows, we have an ambition to halve the carbon footprint of our investments by 2030. Furthermore, we are aiming for net zero in our own operations by 2030 and have developed a new net zero ambition for our supply chain that we detail further in this update.

In April 2021, we became a founding member of the Net Zero Banking Alliance (NZBA) and committed to develop sector-based 2030 emissions reduction targets for our most carbon-intensive sectors that will build on our banking-related climate ambitions. Our first round of targets, detailed in this document, is focused on fossil fuel sectors and other sectors where we have high emissions and/or material financial exposure and readily available data. The seven targets that we have now developed cover some of the UK's hardest to abate and most material sectors including residential buildings, transportation, power and oil and gas.

All of our targets are science-aligned, using either UK (Committee on Climate Change) or global (International Energy Agency) scenarios, with no current plan to use offsets to achieve our sector targets. Six of our seven targets use scenarios that limit global warming to 1.5°C by the end of the century and have limited overshoot or reliance on negative emissions technologies. Aviation is our only target that uses a pathway aligned to well below 2°C, where the near-term challenges in decarbonising the sector indicate achieving an aviation portfolio 1.5°C target by 2030 is unlikely.

In setting our targets, we have determined the key actions we will take to work towards achieving them based on the levers available today and expected future changes in the market. Each of the sector targets has some degree of stretch to ensure we remain ambitious and initial views from the sectors where we have now set targets suggest we may need to go further in some areas to achieve our overarching 50 per cent emission reduction ambition. We expect our view to evolve as we set additional targets and where a gap remains we will review whether we can take mitigating steps.

We welcome our responsibility to help the UK transition to a net zero future but recognise that although we can achieve much through our own lending, we cannot do this alone. Each sector presents its own set of challenges and will have different trajectories of transition and our ability to meet sector targets will also depend on a number of external factors. Transitioning to net zero is a joint effort and will depend on appropriate government policies and incentives being implemented, industry collaboration and significant technological advancements.

These targets will set the direction of travel for our activity in specific sectors over the next decade, and will be followed by further sector transition plans in our first Climate Transition Plan, which will form part of our Sustainability Report due in February 2023. Our Climate Transition Plan will highlight the progress against ambitions and actions we will take towards transition, including how we will engage with others to help create the right conditions to enable us to meet our targets. We are committed to working with our customers and clients to support their transition while we also address the emissions from our own operations and supply chain and we have set out below a new net zero ambition for our supply chain.

As we set out our vision for these important sectors, it is clear that we need to find the right balance of industry collaboration, government policy (UK and global) and financial support to achieve a just transition of the UK economy towards net zero by 2050. There are known dependencies that will influence the ultimate achievement of the targets and we are committed to working in partnership with our customers and other stakeholders towards that goal in the months and years ahead.

# Net zero activity update

Since our 2021 Climate Report, we have developed a new net zero ambition for our supply chain and several new or updated financed emissions intensity reduction targets for specific sectors. This update outlines these, along with the overall approach taken to sector target setting.

## Our supply chain and net zero

Recognising the carbon emissions generated through our supply chain we have set an ambition to reduce the emissions from our suppliers by 50 per cent by 2030 on the path to net zero by 2050, or sooner.

Earlier this year, we launched our Emerald Standard with over 100 of our top suppliers. The Standard sets out four requirements for these suppliers to work towards:

- Declaring a net zero public commitment with interim targets to be achieved by 2030 on the path to net zero by 2050 or sooner
- Using science-aligned targets so that their emission reductions are credible
- Demonstrating leadership in climate change via public CDP disclosure
- Disclosing broader ESG performance via EcoVadis

# Approach to sector target setting

We recognise that the process for establishing and measuring sector targets is complex. We have used scenario pathways aligned to limiting global warming to 1.5°C for most sectors – and a pathway aligned to well below 2°C for aviation where the near-term challenges in decarbonising the sector indicate achieving an aviation portfolio 1.5°C target by 2030 is unlikely. We do not plan to use offsets for the achievement of our 2030 NZBA sector targets and will monitor and contribute, where appropriate, to emerging industry standards on offsets as they develop and engage with our clients to encourage them to develop their own net zero plans. These plans may involve our clients using carbon credits for offsetting residual emissions in line with science. Our targets have been developed with oversight from internal risk functions and approved at the executive level by the Group Net Zero Committee, as discussed in our 2021 Climate Report. The targets have also been considered and approved at Board level. In line with NZBA guidelines, we commit to reviewing our targets at a minimum every five years, striving to align them with major changes in international agreements or national goals. We will also publish progress against these targets annually in our sustainability reports and continue to develop and enhance our internal capabilities to track and monitor targets.

## Sector and scenario selection

We have prioritised our first round of NZBA targets on fossil fuel sectors (oil and gas and thermal coal) and other sectors where we have high emissions and/or material exposure and readily available data. These include automotive original equipment manufacturers (OEMs), power, residential mortgages, retail motor and the aviation transport subsector. Our rail and shipping activities within the transportation sector have been excluded, based on materiality of our exposure. Our road transportation activities involve a mix of businesses of differing sizes, including many small businesses, presenting data challenges that prevent us from setting a road transportation target at this stage. We will look to cover the remaining NZBA sectors in future reporting updates over the next 18 months and we will keep our external sector statements under review.

We have used three climate scenarios as the foundation for our sector targets: 1) The International Energy Agency Net Zero Emissions 2050 (IEA NZE 2050) – for oil and gas, power and automotive OEMs; 2) The UK Climate Change Committee's Balanced Net Zero Pathway (CCC BNZP) from the Sixth Carbon Budget – for retail motor and residential mortgages; and 3) The IEA Energy Technology Perspectives 2020 (IEA ETP 2020) for the aviation transportation subsector. The IEA 2050 and CCC BNZP scenarios seek to limit global warming to 1.5°C by the end of the century and encompass little to no overshoot, with low reliance on negative emissions technologies. The IEA NZE 2050 scenario was selected for sectors where our portfolio clients or their main activities had a global or regional focus beyond the UK, whereas the CCC BNZP scenario was selected where clients or customers were solely UK focused. For example, as our residential mortgages target covers UK properties only, using the CCC BNZP scenario better reflects the portion of emissions from heating and electricity consumption of UK properties. This differs from global scenarios where this ratio can be significantly different. We also support transition in residential property through our strength in the social housing portfolio, which will be covered in future updates. The IEA ETP 2020 scenario seeks to limit global warming to well below 2°C by the end of the century and is only being used for aviation where the near-term challenges in decarbonising the sector indicate achieving an aviation portfolio 1.5°C target by 2030 is unlikely. However, we expect and will look to support the aviation sector transition accelerating after 2030 based on the scaling of key technologies such as sustainable aviation fuels (SAF) and electric short-haul or hydrogen-based planes.

## Data limitations

As disclosed in our 2021 Climate Report, we have continued to apply the emerging industry standard developed by the Partnership for Carbon Accounting Financials (PCAF) for measuring and disclosing financed emissions. We have used the same PCAF approach when developing baseline emissions estimates for our targets and have also used client-related targets and commitments where relevant to inform our target setting activity.

Industry-wide data challenges still exist as not all companies report their emissions and underlying information on emissions from consumer-related assets, such as mortgages, is not universally available. It should also be noted that the baseline, momentum and net zero reference scenario pathways and targets may be subject to change as data availability and granularity improve, scenario pathways are updated, and the broader regulatory and industry environment evolves. We continue to enhance our climate data capabilities to address these challenges by expanding our sources of data and developing partnerships to increase the level of client level data that is available.

## Key dependencies

Each of the targets have been set with an acknowledgement that there are key dependencies on external parties and factors to meet the targets. We all need to work together to achieve net zero and we will continue to play our role in supporting the public policy developments in the UK that help accelerate the transition. Public policy levers, both in the UK and other regions where our clients or customers are located or sell their products, will be essential to help achieve decarbonisation at scale, particularly in high-emitting sectors such as housing and transportation. We will continue to partner with businesses and key industry players to help lead the transition, as they also increase their supply chain capabilities and skills to enable the level of transformation required. We have identified the key sector specific dependencies in the sector narratives that follow.

# Sector targets

**Previously announced targets:**

## Thermal coal

We announced phase out targets in our 2021 Climate Report to exit coal-fired power stations in the UK by 2022 and all entities that operate thermal coal facilities by 2030.

To ensure enough electricity supply for the UK this winter, the UK Government has asked a small number of our power generation clients to keep their UK coal-fired power stations available until March 2023. We have already exited all direct financing of coal-fired power stations and had expected to have no clients who operate UK coal-fired power stations by the end of 2022. This will now be delayed as our clients respond to the UK Government's request. We remain committed to a full exit before the Government's 2024 target. While this delay is unexpected, we recognise that this is a short-term, precautionary measure to guarantee the UK's power supply and we remain committed to reducing the carbon emissions we finance to net zero by 2050 or sooner.

## Oil and gas

We announced our oil and gas sector target in our 2021 Climate Report. It focuses on achieving a reduction in absolute drawn financed emissions (Scope 1, 2 and 3) of 50 per cent in the period from 2019 to 2030, which is in line with the reduction required by the IEA NZE 2050 scenario.

We have developed several levers and actions we can take to maintain alignment between our momentum pathway[1] and our reference net zero pathway,[2] including participation choices, sustainable financing and supporting oil and gas clients to invest in renewable and green energy initiatives, recognising the need to consider energy security. We will work with our existing clients to support them to establish credible transition plans and require existing clients to have their plans in place by the end of 2023. We will no longer provide direct financing (either via project finance or reserve-based lending) of new greenfield oil and gas developments (fields which did not receive an Oil & Gas Authority approval before the end of 2021). We will also not provide financing to new clients in the oil and gas sector unless it is for viable projects into renewable energy and transition technologies and clients have credible transition plans at the point of onboarding.

Key dependencies for this sector include the requirement for energy security to be maintained despite geopolitical risk and increased public and private investment in renewable energy and associated technologies. In that context, our focus will be on supporting our clients to accelerate the adoption of non-hydrocarbon based power generation.

## Retail motor

Our Retail motor business funds new and used passenger and commercial vehicles in the UK for personal and corporate clients through our Lex Autolease and Black Horse subsidiaries. Our target as announced in our 2021 Climate Report focuses on reducing the emissions intensity of the cars and vans we lease or finance by more than 50 per cent by 2030 (from a 2018 baseline), reaching 65 $gCO_2e/km$ (cars) and 85 $gCO_2e/km$ (vans) or lower, exceeding the implied UK Committee on Climate Change (CCC) targets for what is required in the UK.[3]

Our key areas of focus include working with clients and partners to increase the awareness of the benefits and suitability of electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs) for corporate fleets and personal use and developing new related financing opportunities that help to drive adoption of low emission vehicles across all our channels. In addition, we continue to engage with Government and industry organisations with the aim to ensure UK policies are in place to support supply and demand for EV adoption and to manage the transition of our portfolio through investment in enhanced residual value modelling capabilities.

Key dependencies for this sector include UK Government support to decarbonise the grid and expand EV infrastructure, in addition to providing targeted incentives to encourage purchase of new EVs and new incentives for used EVs.

1 An approximation of how our portfolio's greenhouse gas (GHG) emissions will change over time as a result of clients' existing targets and current stated policies.

2 Reference pathway: a scientific climate scenario that is aligned with achieving net zero GHG emissions by 2050 or sooner, which we are using as a reference to determine the key transition assumptions and emissions reductions required in the interim and long term for our sector portfolios.

3 Our vehicle fleet is located within the UK and, as such, we have looked at what the CCC has set out in terms of the level of emissions required from UK cars and vans in 2030 to be on the path to net zero by 2050, which implies emissions intensities of 75g $CO_2e/km$ (cars) and 113 $gCO_2e/km$ (vans), based on CCC's projected carbon emissions for cars and vans in 2030 and assuming a 5 per cent increase in total km driven by 2030 compared to 2018.

# Sector targets

**New or updated emissions targets:**

## Power

We have updated our power generation target to align with the reductions required by the IEA NZE 2050 scenario and will now look to reduce the emissions intensity of our portfolio by 81 per cent by 2030 to 37 $gCO_2e/kWh$ from a baseline of 192 $gCO_2e/kWh$ in 2020.

We are committed to playing our part in ensuring an affordable, secure and sustainable energy sector for the UK. We are already a lead supporter of UK renewable projects and will continue to put the weight of our finance behind clean and renewable energy such as onshore and offshore wind, solar and nuclear. Alongside our investment in renewables and transition technologies, through our work with our retail mortgage customers we will support households to reduce overall demand by improving the energy efficiency of UK homes.

In addition to further lending, we are committed to supporting clients on their transition to net zero. We are enhancing the client engagement strategy within our power generation portfolio, including an expectation that clients' carbon reduction goals will be aligned with scenarios limiting global warming to no more than 1.5°C.

Key dependencies for this sector include government investment and support for renewables projects (including through Contracts for Difference), scaling of nuclear power, as well as deployment of newer technologies on a commercially meaningful scale (such as hydrogen, large scale energy storage for renewables and direct air capture).

## Automotive original equipment manufacturers (OEMs)

We have developed a 2030 target for our automotive OEM portfolio that will require a 47 per cent reduction in emissions intensity (including Scope 1, 2 and 3 emissions)[4] from a 2020 baseline, which is in line with the reduction required by the IEA NZE 2050 scenario.

The automotive sector is critical to achieving net zero global emissions by 2050, with the production of vehicles concentrated in global automotive manufacturers. The transition of this sector relies heavily on the transition away from the internal combustion engine (ICE), and towards battery electric vehicles (BEVs) and hydrogen cells. To meet net zero, EVs will need to reach 60 per cent of new-car manufacturing globally by 2030, according to the scenario we have selected for this sector target.

With many of our automotive clients already committed to the transition to EVs, supporting their transition will be critical in helping to decarbonise this portfolio. Our support for current and potential future clients is aligned with these aims.

Key dependencies for this sector include traditional automotive OEMs shifting their product mix from ICE to EVs; growth of consumer demand, both for first and second hand EVs; and the significant scaling-up of charging infrastructure (and the investments in the electricity grid to support this) required in both the UK and globally.

## Transportation – aviation

We have developed a 2030 target for our aviation portfolio that will require approximately a 31 per cent emissions intensity reduction ($gCO_2e/rtk$[5]) between 2019[6] and 2030, based on the reductions required by the IEA ETP 2020 scenario.

Aviation is a hard-to-abate sector, with the required scale-up of sustainable aviation fuels (SAF) and maturing of low carbon propulsion technologies (hydrogen/battery) still many years away. The COVID-19 pandemic has also introduced significant uncertainties around the recovery of the sector and airlines' near-term emissions profile, with load factors still tracking below pre-pandemic levels. This presents limitations in forecasting the growth of demand in the sector out to 2030 and the extent to which airlines will be able to deliver on their targets. We consider the IEA NZE 2050 pathway to be the most ambitious scenario for aviation and one that sets the direction for our clients and our business to work towards. However, we recognise that it is likely that this portfolio will undershoot the pathway in the short to medium term, depending on recovery scenarios and technology development as relatively nascent technology matures.

Our key strategic lever for this sector is to work with our clients to set targets and develop plans which are aligned with a 1.5°C pathway. While many of our clients have already set targets or committed to set targets aligned with well below 2°C or 1.5°C scenarios, our modelling indicates that due to uncertainties around COVID-19 recovery and technology scale-up, as well as the time lag between our base year and target adoption by clients, this action alone is unlikely to deliver the 2030 emissions intensity reduction for our aggregate aviation portfolio which is required by IEA NZE 2050. It will, however, ensure that in advance of 2030, our portfolio will be made up of companies converging to net zero 2050 in line with a 1.5°C pathway.

Given the uncertainty of achieving the portfolio reduction required by the IEA NZE 2050, we have aligned our portfolio target to a well-below 2°C pathway. We will continue to develop our strategy as client plans are implemented and the sector evolves, using our voice to support decarbonisation of the industry and supporting the aviation value chain to decarbonise by financing the fuels and technologies needed for net zero aviation.

Key dependencies for this sector include continued support from governments globally for SAF production, scaling of SAF capacity and alternative propulsion technologies (e.g. battery and hydrogen), expansion of airport infrastructure to run blended fuel lines and continued evolution of aircraft fleet efficiency.

## Residential real estate – UK residential mortgages

We have developed a 2030 target for our residential mortgage portfolio that is in line with the CCC BNZP from the Sixth Carbon Budget, which requires a 41 per cent reduction of financed emissions intensity from a 2020 baseline.

Decarbonising the UK's housing stock and improving the energy efficiency of residential homes will be critical to achieving our net zero ambitions. Since the UK has the oldest housing stock in Europe[7], this will require significant retrofit of existing properties. As the UK's largest mortgage lender, we recognise the role we can play in educating customers on how they can reduce emissions in their home, and in the provision of financing options to support the transition to more energy efficient properties.

Achieving our targets will require us to focus on several actions. We will increase our support for energy efficient new build properties; incentivise customers to purchase more energy efficient properties; and support customers to improve the energy efficiency of existing properties by offering incentives for additional borrowing for retrofit activities. We will also continue to develop tools that help customers better engage with retrofitting existing homes, including determining the changes required for their individual transition plan and the providers that can be used to make those changes. However, we recognise that we will not be able to achieve our targets acting alone.

Key dependencies for this sector include decarbonisation of the electricity grid and a strong retrofit supply chain, along with government and market incentives which support customers to retrofit their properties. Grid decarbonisation is key as it is the largest expected contributor to UK housing emission reduction by 2030. Current UK Government power sector pledges and policies will support grid decarbonisation, but additional policies and incentives for retrofit will likely be required, including UK wide coverage of Energy Performance Certificates (EPCs) and potential reforms for property tax to account for energy efficiency. As of today, for much of the UK housing stock there is not yet a clear business case for owners to improve the energy efficiency of their homes and we are committed to supporting the technology, supply chain and policy issues that will enable this to change.

4 Includes emissions from both the manufacture and use of sold vehicles.
5 Revenue tonne kilometre (rtk): One rtk is generated when a metric tonne of revenue load is carried one kilometre.
6 A 2019 baseline has been selected due to the significant impact due to COVID-19 on both absolute emissions and emissions intensity due to a reduced number of flights and passenger numbers in 2020.
7 The Housing Stock of the United Kingdom (2020), BRE Trust.

# NZBA sector targets summary

| Sector | Financed emissions or emissions intensity baseline | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Year | Financed emissions | PCAF score[9] | Physical emissions intensity | 2030 sector targets | Emissions coverage | Sector definition and scope of financial activity[8] | Scenario |
| Thermal coal | 2021 | N/A[10] | N/A[10] | N/A[10] | • Full exit of thermal coal power in the UK by 2023[10]<br>• Full exit from all entities that operate thermal coal facilities by 2030[10] | N/A[10] | See footnote[11] | N/A |
| Oil and gas | 2019 | 7.8 $MtCO_2e$[12] | 3.9 | N/A | • 3.9 $MtCO_2e$ (50% reduction)[13]<br>• 50% reduction of absolute emissions by 2030 | **Scope 1, 2 and 3** | See footnote[14] | IEA NZE 2050 |
| Retail motor | 2018 | 3.2 $MtCO_2e$[15] | 2.3 | 129 $gCO_2e$/km (cars)<br>170 $gCO_2e$/km (vans) | • Reduce the emissions intensity of our cars and vans by more than 50% by 2030, reaching:<br>• 65 $gCO_2e$/km or lower (cars)[16]<br>• 85 $gCO_2e$/km or lower (vans) | **Scope 1 and 2**[17] | See footnote[18] | CCC BNZP |
| Power generation | 2020 | 0.33 $MtCO_2e$[18] | 3.5 | 192 $gCO_2e$/kWh | • 81% reduction in emissions intensity to 37 $gCO_2e$/kWh by 2030 | **Scope 1 and 2**[20] (corporate utilities)<br>**Scope 1** (project finance)<br>**Scope 3** excluded | See footnote[21] | IEA NZE 2050 – OECD |
| Automotive (OEMs) | 2020 | 6.5 $MtCO_2e$[22] | 2.0 | 217 $gCO_2e$/vkm | • 47% reduction in emissions intensity to 115 $gCO_2e$/vkm by 2030 | **Scope 1 and 2** (manufacturing)<br>**Scope 3** (use of sold vehicles) | See footnote[23] | IEA NZE 2050 (Global) |
| Transport – aviation | 2019[24] | 0.15 $MtCO_2e$[25] | 2.4 | 918 $gCO_2e$/rtk | • 31% reduction in emissions intensity to 633 $gCO_2e$/rtk by 2030 | **Scope 1 and 2** (client operations and jet fuel use – tank-to-wake)<br>**Scope 3** (upstream production and distribution of jet fuel – well-to-tank) | See footnote[26] | IEA ETP 2020 |
| UK residential mortgages | 2020 | 5.6 $MtCO_2e$[27] | 3.7 | 46.5 $kgCO_2e/m^2$ | • 41% reduction in emissions intensity to 27.6 $kgCO_2e/m^2$ by 2030 | **Scope 1 and 2**[28] | See footnote[29] | CCC BNZP |

**8** Targets cover on-balance sheet assets.
**9** Score 1 = highest data quality; score 5 = lowest data quality.
**10** This target is a commitment to exit all entities that operate thermal coal facilities by 2030 and will currently be tracked through lending exposure to the sector as opposed to annual emissions estimates. This target is only applicable to our corporate and institutional clients (clients with a turnover >£100 million) and excludes any clients within our SME portfolio that would form part of the supply chain to the energy and coal mining entities. The target relating to thermal coal mining excludes commodities trading activities.
**11** Thermal coal is coal used by power plants and industrial steam boilers to produce steam, electricity or both. Our approach applies to all customers involved in the following activities: coal mining (including thermal coal exploration, coal mine construction and coal mine operation), energy utilities, coal power generation and provision of services or supply of equipment to coal-fired power stations and/or thermal coal mines.
**12** Oil and gas Scope 3 estimates reflect the scope of the oil and gas sector target, based on drawn lending for primary sector clients in extraction, refining and transport via pipeline, including commodities trading arms of supermajor oil and gas clients, and not including support services.
**13** Our target is to reduce the absolute financed emissions from the oil and gas sector by 50 per cent from a 2019 baseline. The 2030 absolute financed emissions value may change if the baseline is updated in future years as better data becomes available.
**14** Target includes clients related to the sectors of extraction, transport via pipeline, refining and the commodity trading arms of our supermajor clients. We have excluded support services and other commodity traders from the scope of our metric due to data limitations and lack of alignment towards the scenario pathway selected.
**15** Emissions calculation covers 88 per cent of motor vehicle loans and operating lease assets in-scope. Excludes assets that do not have a motor, loans for forecourt dealership stock, specialist vehicles and vehicles where mileage is difficult to estimate. Currently does not apply a loan-to-value ratio for emissions.
**16** Rounded to nearest $gCO_2e$/km.
**17** Includes the emissions from vehicle use, including from electricity used for EVs and PHEVs, in line with recommendations from PCAF.
**18** Target includes cars and vans associated with leases from Lex Autolease and leases or financing from Black Horse.
**19** Emission calculation includes Scope 1 and 2 emissions attributed to lending to both corporate and project finance loans to power generation activity. It excludes transmission and distribution financing.
**20** Scope 2 is the intensity of electricity used by the corporates in operation activity.
**21** Includes corporate loans to corporate power generating utilities and project finance for specific power generating projects.
**22** Target includes Scope 1 and 2 emissions from client operations (manufacturing) and Scope 3 emissions from the use of the sold vehicle by consumers.
**23** Includes automotive manufacturers and their finance captives. Corporate Loans: automotive OEMs and motorcycle manufacturers.
**24** A 2019 baseline has been selected due to the significant impact due to COVID-19 on both absolute emissions and emissions intensity due to a reduced number of flights and passenger numbers in 2020.
**25** Emissions calculation includes Scope 1 and 2 emissions from client operations and Scope 3 (fuel upstream emissions).
**26** Includes corporate loans for airline operators.
**27** 2020 emissions calculation covers 100 per cent of in-scope UK mortgages. Uses EPC emissions estimates for c.44 per cent of properties. Where EPCs are unknown, property archetypes are aligned to average emissions intensity of properties in EPC bandings C to G.
**28** Includes both the regulated emissions that are captured in an EPC and an estimate of other emissions created from unregulated energy use (appliances and cooking).
**29** Includes UK Retail mortgage lending, including both buy-to-let and owner-occupied mortgages.

# Forward looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as, without limitation, 'believes', 'achieves', 'ambition', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact; expectations about the impact of COVID-19; and statements of assumptions underlying such statements. The Group's climate risk capabilities and net-zero transition strategy and plan remain under development, and the data underlying these and market practice in relation to such disclosures are likely to evolve over time. As a result, we expect that our climate-related disclosures are likely to be amended, updated, recalculated and restated in the future. 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. The statements in this document are based on current plans, expectations, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to the Group's strategy or operations, which may result in the Group being unable to achieve the current plans, expectations, estimates, targets, projections and other anticipated outcomes expressed or implied by such forward-looking statements. By their nature, certain of these disclosures are only estimates and, as a result, actual future results could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. 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 include, but are not limited to: general economic and business conditions in the UK and internationally; market related risks, trends and developments; risks concerning borrower and counterparty credit quality; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; 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; inability to capture accurately the expected value from acquisitions; potential changes in dividend policy; the ability to achieve strategic objectives; insurance risks; management and monitoring of conduct risk; exposure to counterparty risk; credit rating risk; tightening of monetary policy in jurisdictions in which the Group operates; instability in the global financial markets, including within the Eurozone, and as a result of ongoing uncertainty following the exit by the UK from the European Union (EU) and the effects of the EU-UK Trade and Cooperation Agreement; political instability including as a result of any UK general election and any further possible referendum on Scottish independence; operational risks; conduct risk; 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 pandemic) and other disasters; inadequate or failed internal or external processes or systems; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the tensions between China and Taiwan; risks relating to sustainability and climate change (and achieving climate change ambitions), including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively and limitations of climate scenario analysis and the models that analyse them; uncertainty around future climate-related policy; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; assessment related to resolution planning requirements; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; projected employee numbers and key person risk; increased labour costs; assumptions and estimates that form the basis of the Group's financial statements; the impact of competitive conditions; and exposure to legal, regulatory or competition proceedings, investigations or complaints. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at **www.sec.gov**, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. 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 whether as a result of new information, future events or otherwise. 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This document should be read together with the Group's 2021 Climate Report.

LLOYDS
BANKING GROUP

**Head office**
25 Gresham Street
London EC2V 7HN
+44 (0)20 7626 1500
www.lloydsbankinggroup.com

**Registered office**
The Mound
Edinburgh EH1 1YZ
Registered in Scotland no. SC95000